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**Review Draft Submitted to the
Inter-agency Working Group**

V1.0



Reconstruction Opportunity Zones

Pakistan and Afghanistan Assessment of Possible Locations and Products

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October 23, 2006



This assessment was prepared by BearingPoint, in collaboration with subcontractor J.E. Austin, under USAID SEGIR Macro II IQC Task Order No. 9. The study team included Greg Polk, Tim Canedo, Nihal Pitigala, with local assistance from Irfan Khan and Asghar Hussain in Pakistan and Naweed Sharifi, and Arif Yusufzai Mohammad in Afghanistan. The views expressed in this document are those of the study team and do not necessarily reflect those of USAID or the United States Government.

TABLE OF CONTENTS

<i>Section</i>	<i>Page</i>
List of Abbreviations and Definitions	iv
Executive Summary	1
Methodology.....	2
Overall Conclusions and Recommendations.....	6
Chapter 1. Introduction and Approach.....	10
1.1 Background and Context	10
1.2 Methodology	13
Chapter 2. The Pakistan Assessment.....	15
2.1 Economic Context	15
2.2 Location Assessment.....	15
2.3 Product Analysis.....	24
2.3.1 Step 1: National Trade Analysis.....	24
2.3.2 Step 2: Industry Analysis	26
2.3.3 Step 3: Tariff Analysis	35
2.4 Rules of Origin--Pakistan.....	37
2.5 ADS 225: Pakistan: Assessment of the Impact on U.S. Jobs and International Worker Rights.....	39
Chapter 3. Afghanistan Assessment.....	42
3.1 Country Overview	42
3.2 Location Assessment.....	42
3.3 Product Analysis.....	53
3.3.1 Step 1: National Trade Analysis.....	53
3.3.2 Step 2: Industry Analysis	59
3.3.3 Step 3: Tariff Analysis	71
3.4 Rules of Origin--Afghanistan.....	76
3.5 ADS 225: Afghanistan: Assessment of the Impact on U.S. Jobs and International Worker Rights.....	77
Chapter 4. Pakistan-Afghanistan ROZ Overview and Recommendations.....	79

LIST OF MAPS AND FIGURES

<u>Map</u>	<u>Page</u>
1. ROZ Assessment Study Area.....	10
2. ROZ Eligible Areas in Pakistan.....	16
3. Northwest Frontier Province and the Federally Administered Tribal Areas.	19
4. Border Area of Balochistan	19
5. Earthquake Affected Area.....	20
6. Industrial Estates in NWFP and FATA	21
7. Near-term Focus Areas for ROZ in Pakistan.....	23
8. ROZ Eligible Areas in Afghanistan.....	43
9. Afghanistan Industrial Estates	45
10. Focus Locations in Afghanistan.....	47
11. Proposed Road Network Improvements	48
12. Planned Improvements to the Power Grid.....	49
13. Pakistan-Afghanistan Combined Focus Areas.....	79

<u>Figure</u>	<u>Page</u>
1. Area Assessment Matrix: Pakistan	18
2. Industrial Estates Assessment: Pakistan	22
3. Cost of Electric Power	23
4. Security Costs	24
5. Pakistan: Exports at Section Heading with RCA > 1	25
6. Sector Ranking Matrix: Pakistan	27
7. Pakistan: Tariff incentive under ROZs (at HTS 8-digit)	35
8. Pakistan: Most Promising ROZ based Exports with US Tariff above 20%	36
9. Value Added in Selected Industries (As a percentage of Appraised Value)	39
10. ADS 225 Evaluation Matrix: Pakistan	40
11. Airports	47
12. Distance to Karachi Port	47
13. Power Cost Comparison for Commercial Users--Afghanistan and Pakistan	48
14. Security Costs as a Percentage of Sales	50
15. World Exports from Least Developed Countries	54
16. Exports under GSP List: Number of Products and Share of Total Exports	55
17. Selected GSP Products and corresponding MFN Rate	56
18. Afghanistan Exports in 2005	56
19. Sector Ranking Matrix	61
20. Afghanistan: Profile of Non-GSP Exports and MFN Tariffs	71
21. Afghan Exports Under US MFN Tariff Above 10%	72
22. Summary of Transport and transit related transactions cost	76
23. ADS 225 and Worker Rights: Afghanistan	78

Appendix (provided as separate files)

1. Assessment of Industrial Estates-Pakistan
2. Notes on ROZ Eligible Areas-Pakistan
3. People Interviews by the ROZ Team-Pakistan
4. Industrial Capacity Assessments--Pakistan
5. Industrial Assessment Ranking Criteria
6. Industrial Assessment Questionnaire
7. List of Products w RCA greater than 1
8. Priority Product List for ROZ-Pakistan
9. Afg- GSP Eligible List and US MFN Tariff
10. ADS 225-Pakistan
11. ADS 225-Afghanistan
12. Afg-People Interviews by the ROZ Study Team
13. References
14. ROZ Scope of Work

LIST OF ABBREVIATIONS AND DEFINITIONS

Term	Definition
AISA	Afghanistan Investment Support Agency
EPB	Export Promotion Board
FDI	Foreign Direct Investment
IMF	International Monetary Fund
IPB	Investment Promotion Bureau
IPDA	Industrial Parks Development Authority
IRO	Industrial Relation Ordinance (Pakistan)
NGO	Nongovernmental Organization
LDCs	Least Developed Countries
PSD	Private Sector Development
QIZ	Qualifying Industrial Zone
ROZ	Reconstruction Opportunity Zone
SME	Small and Medium Sized Enterprises
SMEDA	Small and Medium Development Authority (Pakistan)
SOE	State-owned Enterprise
UN	United Nations
USAID	U.S. Agency for International Development
USTR	United States Trade Representative
WB	The World Bank
IE	Industrial Estate
WTO	World Trade Organization
ha	Hectare
km	Kilometer
Territory	Political jurisdiction included in the ROZ eligible area
Industrial Estate	Designated area specifically improved to attract industrial investment

EXECUTIVE SUMMARY

President Bush recently announced that the United States would support the creation of Reconstruction Opportunity Zones (ROZs) in designated areas of Pakistan and Afghanistan. First and most fundamentally, goods produced within a ROZ would have duty-free access to the U.S. market, thus increasing the ROZ area's attractiveness as an employment-generating investment location. Second, the designation of an area as a ROZ could establish it as a focal point for supporting efforts by the governments of Afghanistan and Pakistan as well as the international donor community to make infrastructure improvements, remove administrative barriers to investment, and undertake other initiatives by host governments and the donor community. The explicit purpose of establishing ROZs is to create employment alternatives for a working-age population that may otherwise be drawn to narcotics trafficking, terrorism and banditry.

ROZ Assessment Study Area



The challenges facing such a ROZ program are considerable. The study area in which ROZ locations can be considered includes all of Afghanistan and several areas in Pakistan's border regions with Afghanistan, including the Federally Administered Tribal Areas (FATA); North West Frontier Province (NWFP); the earthquake-affected areas of Azad Jammu Kashmir; and the border areas of Balochistan¹ (see Map 1). To varying degrees, the entire area is characterized by

¹ The Statement of Work originally included all of Azad Jammu Kashmir and Balochistan in the study area. This was narrowed down to border and earthquake-affected areas following discussions with the CTO and members of the Inter-Agency Working Group.

very low existing industrial capacity, low skills base, grossly inadequate infrastructure, severe security problems, rampant informal transit payments, and economic activity that is overwhelmingly informal.

However, the ROZ's have the potential to serve as strong catalysts to invigorate the industry within the study thereby providing direct and indirect employment opportunities, formalizing economic activity, encouraging economic cooperation between Afghanistan and Pakistan and eventually paving the way for integration with the rest of the world.

Methodology

The study team visited the study area for seven weeks in order to obtain the necessary information and context for the preparation of this assessment. The analysis presented here is based on the following methodology:

- **Location assessment.** The team examined potential locations for ROZ enterprise activity by focusing on existing economic centers that could support ROZ activity and on the main trade corridors along which goods would gain access to the U.S. market.
- **Product assessment.** The team assessed each country's current export and production base to identify those products that are expected to benefit most from the ROZ regime, focusing on the identified ROZ locations.
- **Rules of origin.** The team assessed the capacity of export-oriented producers in each country to comply with the suggested rules of origin using the QIZ program as a reference.
- **ADS 225 assessment.** The team prepared an analysis to compare the ROZ program's compatibility with ADS 225 concerning potential impacts on U.S. employment and workers' rights.

Pakistan Location Assessment

Based on the team's analysis, the recommended near-term ROZ focus areas include Peshawar, Nowshera, Mardan and Swabi, districts of the Northwest Frontier Province. The remaining districts of the study area may have potential over time, however the focus areas provide the greatest opportunity for ROZs in the near term. The existing public sector sponsored industrial estates could potentially play a major role as pilot locations for the ROZ program. However, these estates will require substantial improvements in their management systems, expansion of basic infrastructure, and in some cases additional land acquisition.

Given the diversity of location factors and the limited current suitability of these existing industrial parks, the private sector should be relied on to decide which parks should be utilized. In conjunction with the implementation of the ROZ program, private sector representatives from each industry sector should be actively engaged to identify specific locations that are most appropriate to their requirements. Such an approach would have the following benefits:

- Stimulate competition between public and private estates
- Provides the opportunity for the private sector to negotiate additional incentives needed to locate a particular industry in the ROZ eligible area
- Allows for cluster development and establishment of industry specific industrial parks

Pakistan Product Assessment

The team identified products within Pakistan's current export portfolio to the U.S. and to the rest of the world that are most likely to benefit from the ROZ program based on their existing level of competitiveness in the respective markets and the potential for expanding or establishing these industries in the identified ROZ locations.

National Trade Analysis. The team analyzed the national trade data to determine the Revealed Comparative Advantage (RCA) of existing industries in Pakistan, and found that Pakistan demonstrated a RCA in 648 products at the HS 6-digit level. Of these, 514 products fall under MFN rates in the US and 134 products under the US GSP regime. The products exported under the GSP regime accounted for only 1% of Pakistan's exports, suggesting that GSP items, including those that are textile products (which are primarily handicrafts, such as carpets), are not the most dynamic exports of Pakistan. Of those currently subject to MFN rates, the highest share of RCA products belong to textiles and apparel, which account for over two-thirds (365) of the product lines. The rest consisted of agriculture (37), base metal (20) and leather (12).

Industry Analysis. The team undertook under took an industry analysis to develop an understanding of the unique regional economic aspects applicable to the study area.

Based on this industry analysis the following industry/product sectors were identified as the most promising for location in the ROZ territories: textile, apparel, home textile, wood furniture, marble, carpets, gems and jewelry and leather.

The team also found that while potential exists to promote new job creation in the ROZ territories through export development for the U.S. market, there are a number of challenges that need to be overcome if the ROZ program is to achieve the desired results in terms of investment, export and employment generation in the designated territories (see text box).

Challenges to Realizing ROZ Benefits in Pakistan

- *In all sectors there are many small operators and few larger concerns. The smaller businesses typically are operating with out-dated technologies and methodologies (resulting in low quality) and are more labor intensive.*
- *Market access appears to be another major constraint to growth throughout the identified sectors. Except for the textiles and apparel sector, the sectors lack information necessary for developing export markets.*
- *Many agree that Pakistan has some excellent raw materials; superior marble/granite, high quality of a wide variety of gems, an abundance of animal hides, and world famous rosewood. But serious attention needs to be given to issues related to the use and preservation for these raw materials.*
- *Pakistani business persons see limited scope for collaboration between Pakistan and Afghanistan. They do not see the possibility of entering into joint ventures, and some see collaboration as a competition issue that will ultimately provide greater benefit to the Afghans.*

- **Tariff Analysis.** Based on the trade and industry assessments, the identified industry sectors were then expanded to the eight-digit HS product level to arrive at a list of all products that could be exported from the ROZs to the rest of the world. The study team then used the current U.S. Most-Favored Nation (MFN) tariffs to arrive at a list of products that could benefit from the creation of a ROZ.
- For those industries not already located in the ROZ territories, the industry discussions revealed that only a tariff preference of 15 percent or above would provide a sufficient margin to offset the "location disadvantage" of operating in the ROZ areas versus more favorable locations within Pakistan. However, those that are already located in the frontier areas suggested a margin of less than 15% would be adequate. There are 141 HTS 8-digit products with MFN rates exceeding 15%, including 135 products in which

possess a comparative advantage. While apparel products offer the greatest prospects in terms of tariff incentive, the analysis reveals a number of other products that are also likely to benefit, including leather and footwear products. Also there are a number of products indigenous to the ROZ territories, such as marble, and gems and jewelry that would not require as high of a tariff incentive to benefit from the ROZs.

Rules of Origin Issues

A survey of value-added for the cross-section of firms consulted in the frontier regions of Pakistan revealed that three key industries—leather, marble, and canvass shoes—would not be able to meet the 35 percent value added threshold as was used in the QIZ program. While there is potential for some production-sharing in the marble sector, Pakistan industries indicated a strong interest in sourcing raw marble blocks, especially white marble, from Afghanistan. In terms of textiles and apparel, it is expected that ROZ exporters would be able to meet sector-specific tariff shift rules of origin.

ADS 225

It is unlikely that USAID support to the ROZs in Pakistan would result in the relocation of U.S. jobs for two reasons. One, the frontier areas of Pakistan are a less attractive investment location for U.S. companies, and two, the scale of the U.S. production and market is so large that ROZ based exports could not reasonably be expected to affect U.S. product prices. ROZ based exports are most likely to replace the exports from competitor countries such as Sri Lanka, China, Bangladesh (leading cotton based apparel exporters) and even factories in Karachi and Lahore.

However, USAID must take into consideration that there is potential that some sites, if designated as ROZs, do not currently meet internationally recognized workers' rights. This is currently the case in Pakistan's export processing zones (EPZs), which do not permit unions. In order to be eligible for duty free preferences the Government of Pakistan (GOP) would need to institute provisions such that international workers rights are respected and enforced in ROZ designated sites. In this context, the Essential Services Maintenance Act would need to be amended to allow the formation of unions and collective bargaining within the ROZ designated locations. Adopting laws and policies to make the basic ILO Core Conventions applicable in ROZ designated locations is essential. It must also ensure strict adherence to promulgated laws to enforce the minimum age for the employment of children.

Afghanistan Location Assessment

The team's recommended near-term focus areas for the ROZ program in Afghanistan include the Kabul and Nangrahar (Jalalabad) Provinces. The remaining Provinces of the study area may have potential over time, however these focus areas provide the greatest opportunity for ROZs in the near term. Although security remains a challenge in Afghanistan, the reconstruction program has made substantial progress in the rebuilding of roads and power systems. By 2009 all the major roads will be rebuilt and the power line linking Kabul to the Central Asian Republics will be complete. Once these two critical pieces of infrastructure are in place the prospects for Kabul and Nangrahar Provinces will improve dramatically.

Afghanistan's industrial parks already supported by USAID and the World Bank offer a good foundation for the ROZ program. However, these current parks are oriented primarily to import substitution activities and will require either expansion to accommodate ROZ export-oriented activities or a change in marketing focus for potential users in the case of the World Bank funded parks now in the design stage. As is the case in Pakistan, location factors and the limited

suitability of the existing industrial parks, suggest that the choice of which parks to utilize as ROZ pilot locations should involve substantial private sector participation.

Afghanistan Products Assessment

Although years of conflict have had a destructive impact on economic institutions, businesses and infrastructure, Afghanistan's industry has shown recent signs of revival of industrial activity and its export base in recent years. Any current efforts to revive Afghanistan's exports will need to take account of the challenges to put Afghanistan on a sustainable growth path. The proposed ROZ framework has the potential to provide an important direct incentive to invigorate Afghanistan's industrial and agro-processing export sectors. It could also provide a catalyst for improving regional cooperation and pave the way for integration with the rest of the world.

National Trade Analysis: The Afghan economy is overwhelmingly informal, unrecorded and untaxed by the state, and extensive transit trade leads to unreliable and incomplete statistical information. For this reason the Relative Comparative Advantage approach could not be applied in Afghanistan. Instead a filtering process was utilized to assess the actual export base.

There are some 59 HTS 8-digit products that can be considered 'real' Afghanistan exports that fall under US MFN tariff. These 59 products accounted for 69 percent of Afghanistan's exports and consisted of mainly agriculture, textile and mineral and mining based products. Afghanistan has made no impact, however, on the eligible list of GSP products; it exported only 8 HTS products which account for less than 1% of Afghanistan's exports. This is partly due to a lack of understanding of the GSP procedures and eligibility, product quality, food safety (agriculture) or, mere lack of competitiveness. This products list provided the guidance for industry analysis to determine what would be most likely to benefit under the proposed ROZs.

Industry Assessment: The team examined existing industries to develop an understanding of the unique regional economic aspects applicable to the study area. The analysis revealed the sectors that provide potential economic benefits including agro-processing (dehydrates), textiles, apparel, home textile, marble, carpets, gems and jewelry, leather and glazed ceramics. While there is some short-term potential in Afghanistan to benefit from the ROZs, a number of constraints will need to be addressed if the ROZs are to have a broader impact (see text box).

Tariff Assessment: Based on the trade and industry assessments, the products that provide the highest tariff incentive include textiles and apparel. The apparel segment including men's and women's garments in particular have higher

Challenges to Realizing ROZ Benefits in Afghanistan

- *A vast majority of producers are at an infant stage and are concentrating on securing domestic markets that are currently being serviced by imports.*
- *There are also a number of policy and legal/regulatory areas that will need improvement if the ROZs are to achieve the desired goals, including ongoing political and economic instability and security problems; confusing and burdensome regulations; unclear tax and customs regulations and corruption; the lack of access to finance; and lack of training.*
- *Many agree that Afghanistan has some excellent raw materials; superior marble, a wide variety of gems of high quality, ample high quality wool and leather, and an abundance of agricultural produce. But there are a number of environmental and production/extraction issues related to these raw materials, and related potential for processing.*
- *In addition to the quality standards there is also a lack of capacity of industries and supporting institutions to ensure food health and safety standards of agro-processed goods meet U.S. market sanitary and phyto-sanitary standards.*
- *The ROZ's goal of increasing cross-border economic cooperation and integration is likely to be hindered by the ongoing difficulties faced by Afghan importers/exporters that must rely on transit movements through Pakistan.*
- *Afghans view collaboration with Pakistan industries with suspicion and feel that the end result would be even more markets for the Pakistanis.*

MFN tariff margins that are the most promising ROZ activity, followed by agriculture products such as peanuts, footwear with rubber or plastic sole, all of which have as U.S. tariff margin above 10 percent. Peanuts in shell (not roasted or cooked) show tariff (54 percent), Footwear with rubber or plastic sole (23 percent) were the highest two tariff items that Afghanistan currently exports.

Rules of Origin Issues

Firms in Afghanistan that were surveyed did not provide information reliable enough to estimate their capacity to meet the 35% value added criterion. However, a broad picture can be gained through published sources that reveal that the industrial sector in Afghanistan is at a nascent stage of development. As a consequence of the general lack of infrastructure and inadequate skill levels, many of the resource-based industries use simple technology and, therefore, generate only minimal added value. The capacity of its industries to meet the specified rules of origin may be confined to a limited number of sectors, including traditional handicrafts, or hand- made carpets that combine domestic raw material and labor.²

For Afghanistan, a value-added requirement in excess of 15%-20% of the assessed value may not provide Afghanistan producers the flexibility to choose the most efficient input source which often means that production capacities that could have had a substantial economic and development impact are denied preferential access to the U.S. Furthermore, given the sheer asymmetry in logistical and other competitive factors between Afghanistan and Pakistan, a uniform set of rules of origin is likely to work to the disadvantage of Afghanistan. Asymmetrical rules of origin structure should be considered with a lower value added requirement for Afghanistan than for Pakistan. Such an approach could also assist in both fostering cross border economic integration and encourage investment in Afghanistan as well as Pakistan.

ADS 225

It is unlikely that support to the ROZs in Afghanistan would result in the relocation of U.S. jobs. Afghanistan is a less attractive investment location for U.S. companies primarily due the prevailing security situation, and the adverse factors discussed in the industry analysis. As it the case in Pakistan the potential ROZ exports are most likely to replace the exports from competitor countries such as Sri Lanka, China, Bangladesh (leading cotton based apparel exporters) and even factories in Karachi and Lahore.

However, in considering funding for the ROZs, USAID would need to ensure reform of the current Afghanistan legislative framework that does not adequately protect internationally recognized workers' rights, including freedom of association and collective bargaining, and prohibiting forced child labor.

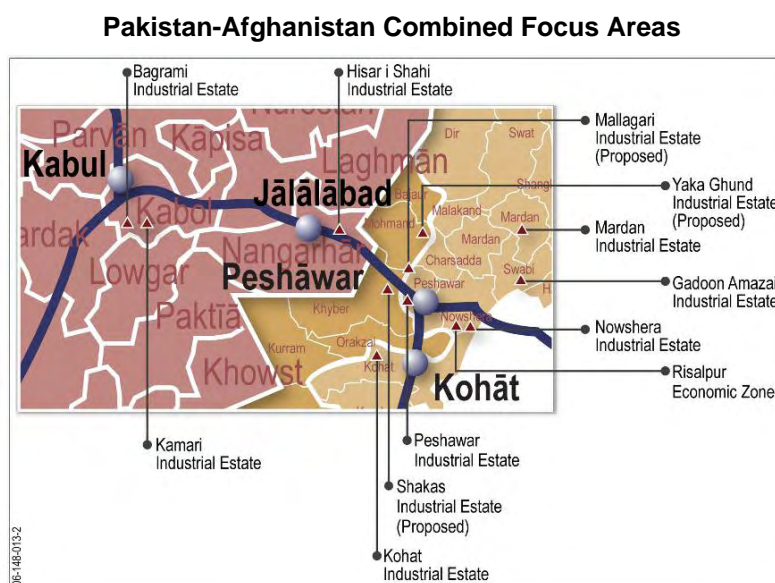
Overall Conclusions and Recommendations

Central to the above four issue areas is the assessment's conclusion that the ROZ program, while potentially beneficial, does not in and of itself create sufficient incentives to dramatically transform the regional economies in the ROZ study areas. The location and security disadvantages inherent to these areas are considerable and, while difficult to price with accuracy, are in the same or greater order of magnitude as the potential gains through preferential tariff to the U.S. market. However, the ROZ has more potential to be part of a broader effort to

² UNIDO Industrial Data, 2005)

encourage economic cooperation between Afghanistan and Pakistan and to support industry within the study area to penetrate export markets – with a strong initial focus on regional markets that is coupled with a long-term goal of developing expanded exports to the U.S. This approach recognizes both that initial export volumes to the U.S. will probably be low, but that efforts to increase export competitiveness at both the origin and destination of an export consignment will be required to achieve the ROZs' strategic objectives.

ROZ Designation. The team made two general findings that relate to potential implementation of the ROZ program in the two countries. First, the study team determined that the ROZ focus area for the two countries forms a corridor extending from the Nowshera and Swabi districts on the east, through Peshawar and to Kabul on the west. This corridor offers the greatest opportunity to stimulate export related investment and industrial development in the near term. As the ROZ program demonstrates results in the focus areas it can expand to other locations in the ROZ eligible territories including Balochistan and Earthquake Affected Areas as well as the other eligible locations within Afghanistan. The second finding was that the private sector should be extensively involved in the final selection of sites in the focus areas. The map above highlights the locations of the existing industrial estates in the combined focus areas.



Product Coverage. While one of the objectives of this study is to identify the products that are mostly likely to benefit Pakistan and Afghanistan under the proposed ROZ program, due consideration should be given whether to adopt a positive or negative approach based on this list, or to allow unrestricted access of product sectors. The US sponsored Qualified Investment Zones (QIZ) program for Jordan and Egypt offers duty-free privileges for all products, provided that the rules of origin and other criteria for the approval of sites and plants are met. The simple economic rationale for such broad product coverage is that, while analyses such as contained herein can provide guidance on the likely products to generate economic benefits under the ROZ, it is mainly based on existing trade and production patterns, which can eventually change with the offer of new incentives, such as duty-free market access. This is particularly true for Afghanistan, where current production and trade patterns are heavily distorted.

ROZ Rules of Origin. The cross-firm evidence from Pakistan suggests that except for leather, marble, and shoes, there exists adequate indigenous capacity to meet the proposed value-added requirement of 35 percent or comply with a change-of-tariff-heading. However, in Afghanistan's the firms that were surveyed did not provide information reliable enough to estimate value added. The published sources indicate that the industrial sector in Afghanistan is at a nascent

stage of development. The capacity of its industries to meet the specified rules of origin may be confined to a limited number of sectors such as traditional handicrafts and hand made carpets that combine domestic raw material and labor.³ As consequence of the general lack of infrastructure and inadequate skill levels, many of the resource-based industries use simple technology and, therefore, generate only minimal added value.

A recent World Bank review of the African experience under the AGOA rules of origin recommends that for LDCs, most rules of origin under preferential trade arrangements are too restrictive. The review concludes that a 10% domestic content rule is a more feasible means of achieving market access to industrialized countries the U.S. and administering the program for LDCs. With respect to the ROZs, a rules of origin value added content over 15%-20% may not provide Afghanistan producers the freedom to choose the efficiently source of their inputs which often means that production capacities that could have had a substantial economic and development impact are denied preferential access to the U.S. market. In some cases it may mean that investment in such capacities may not take place. When rules of origin prohibit the use of imported inputs they may force exporters to use materials of higher cost or lower quality, thus undermining their ability to compete in U.S. markets.⁴

Furthermore, given the differences in logistical and other competitive factors between Afghanistan and Pakistan, a uniform set of rules of origin is likely to tilt the balance in favor of Pakistan.

Transit Trade Facilitation. The ROZ's goal of increasing cross-border economic cooperation and integration is significantly hindered by the continuing difficulties faced by importers and exporters who must rely on transit movements from Kabul through to the Karachi port in Pakistan. Based on the interviews conducted, reforms are needed to reduce the time to clear shipments through the Karachi Port, and "informal" payments that are extracted on both sides of the border. Clearly a certain amount of cross border control and regulation is needed to control illegal trade. Nevertheless, the analysis suggests that 2.5% of the assessed value of shipments may be saved through the reduction of demurrage charges and other losses associated with transit.

ROZ Support Program. In addition to the transit issue, which is directly linked to lowering the costs associated with the ROZ exports, there is a wide range of other support programs that would further lower costs and thus enhance the competitiveness of export enterprises in the ROZ. While implementation of such supporting programs will have to be agreed and coordinated among the governments of Afghanistan, Pakistan, and the international donor community, such measures could help to support and diversify the economic opportunities conferred by the ROZ program itself. Such programs could include:

- Target infrastructure development initiatives to improve power and transportation infrastructure in the focus areas.
- Expand and accelerate the development of industrial estates specifically geared to companies producing ROZ eligible products.
- Expand regional trade negotiations through such mechanisms as SAFTA to create greater opportunities to develop exports for the regional.

³ UNIDO Industrial Data, 2005)

⁴ See Paul Brenton, "Enhancing Trade Preferences for LDCs: Restrictiveness of Rules of Origin" in Richard Newfarmer (ed), Trade, Doha, and Development, A Window into the Issues, World Bank, 2006.

- Create export promotion and market access programs for ROZ eligible industries.
- Target export finance support to overcome the current limitations of local financing mechanisms.
- Expand skills training in high-potential industries to reduce the cost of recruiting and training skilled labor.
- Upgraded quality standards in high-potential industries, especially agro-processing. While the study specifically highlighted the difficulties faced by Afghanistan in exporting its dried fruits and nuts to the U.S., given the potential benefits that could accrue to agro-processing industries on both sides of the border, targeted assistance to improve quality standards at the sector- and firm-level would directly promote the export of goods to the U.S. through the ROZs.

Chapter 1. Introduction and Approach

1.1 Background and Context

This document assesses how Reconstruction Opportunity Zones (ROZ) could be introduced in Afghanistan and disadvantaged parts of Pakistan to generate jobs and provide economically viable occupations to a population that may otherwise be tempted to turn to livelihoods in narcotics trafficking and terrorism. The goals of the ROZ program are to generate economic growth and to translate that growth into increased regional stability and security.

The ROZ concept, as announced by President Bush in Kabul and Islamabad and discussed with Afghan and Pakistani decision makers, aims to achieve these goals in two inter-related ways. First and most fundamentally, goods produced within a ROZ would have duty-free access to the U.S. market, thus increasing the ROZ area's attractiveness as an employment-generating investment location. Second, the designation of an area as a ROZ could establish it as a focal point for supporting efforts by the governments of Afghanistan and Pakistan (and perhaps the international donor community) to make infrastructure improvements, remove administrative barriers to investment, and undertake other initiatives to establish a ROZ as a viable investment location.

Map 1. ROZ Assessment Study Area



However, the challenges facing the ROZ program are considerable. The study area in which ROZ locations can be considered includes all of Afghanistan and several areas in Pakistan, including the Federally Administered Tribal Areas (FATA); North West Frontier Province (NWFP); the earthquake-affected areas of Azad Jammu Kashmir; and the border areas of

Balochistan⁵ (see Map 1). To varying degrees, this entire area is characterized by very low existing export capacity, low skills base, grossly inadequate infrastructure, severe security problems, rampant informal transit payments, and economic activity that is overwhelmingly informal, both in terms of narcotics production/trafficking and more legitimate economic activity.

The ability of a ROZ designation in any of these areas to create new export opportunities for existing businesses and new investments is limited in the near term to existing economic centers. Over time, improvements in the security situation and infrastructure networks may lead to the emergence of other feasible sites, but it would be difficult since even the existing economic centers face challenges that may counteract any ROZ-conferred tariff advantage in the U.S. market. This suggests two important considerations in designing a ROZ regime. First, while initial ROZs should be designated in high-potential locations to succeed, the overall ROZ program should remain flexible enough to allow for future ROZ activity in any part of the study area where future economic or infrastructure development may create new opportunities. Second, the precarious economic state of the existing economic centers makes it likely that the ROZ designation will have to be complemented with considerable supporting efforts by the governments of Afghanistan and Pakistan as well as the international donor community for the ROZ program to have an appreciable impact on employment, security, and regional integration.

Conceptually, the ROZ is loosely based on the Qualifying Industrial Zone (QIZ) program that currently operates in Jordan and Egypt. Designed to bolster the Middle East peace process, the QIZ program now grants duty- and quota-free access to the U.S. market for goods that a.) are produced in a QIZ and b.) contain both host country and Israeli content. In Jordan, where the QIZ program has operated in several industrial parks that were designated as QIZs since 1997, the QIZs have essentially created a new ready-made garments (RMG) industry that relies heavily on imported workers. Production has diversified into some other niches (e.g. luggage, jewelry), but has not attracted appreciable investment in industries where Jordan had an existing industrial or skills base. The Jordanian QIZ program has also struggled to achieve its cross-border cooperation objectives, leading to a reduction in the amount of Israeli content required from the initial 11.7 percent minimum (one-third of the minimum combined Jordanian-Israeli-US content of 35 percent) down to 8.0 percent. The program does employ over 20,000 workers and now adds over \$100 million in export earnings to the balance of payments. The successful implementation of the QIZ program was also seen as an important precursor to the U.S.-Jordan Free Trade Agreement.

The QIZ program has more recently been implemented in Egypt, an economy that (unlike the economy in Jordan) has both an existing textile and apparel sector and relatively low-cost workers. Operating since 2005, the Egyptian QIZs are also dominated by RMG investments, and the Egyptian Ministry of Trade and Industry projects that QIZ enterprises will export over \$500 million in goods by 2007. An important difference in the Egyptian approach is that large areas of the country, including major existing production centers, were designated as QIZs, with individual factories (including existing factories) then becoming eligible for QIZ export status as long as they are located within the overall QIZ area. This contrasts with the designation of specific industrial parks as QIZs in Jordan, first in government-run parks then in privately developed parks.

⁵ The Statement of Work originally included all of Azad Jammu Kashmir and Balochistan in the study area. This was narrowed down to border and earthquake-affected areas following discussions with the CTO and members of the Inter-Agency Working Group.

While the QIZ program is not a direct model to be applied to the ROZ program, it has been identified as a logical point of departure for the ROZ since it is the only precedent where the U.S. has offered duty-free market access based on sub-national geographic origin. From this perspective, the QIZ experience informs several facets of the ROZ that are considered in this assessment.

Site Selection. This includes two related issues, the identification and the designation of QIZs. In Jordan, the initial selection of QIZs in Irbid in northern Jordan balanced economic viability (Jordan's industrial base is concentrated in the Amman-Zarqa metropolitan area) against creating new regional development opportunities (though Irbid is a major population center and has good road access to the Israeli port in Haifa). The program was subsequently expanded to other parts of Jordan through both public and private QIZ projects. Egypt skipped this transition when large areas around Cairo and virtually the entire delta region were identified as QIZ areas, thus covering both existing industrial areas and areas with future potential for development. In terms of the actual QIZ designation mechanism, in Jordan thus relies on designating QIZ enterprises in discrete, fenced industrial parks, while in Egypt any industrial facility within the eligible QIZ geographic area can receive QIZ designation. For the ROZ, the Egyptian model can be seen as preferable because the embryonic nature of export industries in the study area may make the *a priori* selection of small, clearly delineated sites too narrow. On the other hand, weak public administration in most parts of the study area can be a limitation in terms of how product origin can be certified.

Product Selection. The QIZ program is very inclusive in terms of the products that qualify for duty-free market access, both in Jordan and Egypt. While the Egyptian QIZ program does exclude unprocessed agricultural products, the overall approach was to offer duty-free access for virtually all product groups to create as many potential export opportunities as possible. In practice, of course, both the Jordanian and Egyptian QIZs are heavily concentrated in RMG, perhaps the most footloose and tariff-sensitive industry in the world. Both countries have had some success in moving towards higher value-added products within RMG (e.g. intimate apparel). This QIZ experience is instructive for the ROZ because the economies included in the ROZ study area are starting from a lower skills base, have a significantly inferior logistics chain, and are beset by security problems far more severe than those of the QIZs. One can argue that if Jordan and Egypt cannot develop significant non-RMG export industries on the basis of the QIZ, then there is little need to restrict any specific products outside RMG. As for the RMG industry itself, the main issue is on the Pakistani side, where an existing textile and apparel sector could potentially use the ROZ as a platform from which to increase exports to the U.S. This, too, should be considered in light of the Egyptian QIZ experience, where an existing textile and apparel industry now has the opportunity to obtain QIZ designation – unlike in Pakistan, where the existing textile and apparel industry is not located in the study area.

Joint Production. The QIZ program is specifically designed to encourage joint production between Israel and its neighbors who have signed a peace treaty with Israel, with the hope that this joint production will set the stage for further economic integration and bring a “peace dividend” in terms of increased employment to the Jordanian and Egyptian populations. Since joint production is seen as a successful outcome in and of itself, the requirement to incorporate specific minimum Israeli content is quite logical. There have been some changes over time, both in terms of lowering the required content percentage in Jordan and in relaxing the application of the percentage in Egypt (where minimum content requirements have to be met on average over a three-month period rather than in each individual shipment), but the central requirement remains

the same. The ROZ concept, by contrast, has been described primarily as an employment generation incentive that will lead to ancillary benefits in terms of increased security and regional economic integration. This different emphasis suggests that joint production between Afghanistan and Pakistan, while desirable, may not have to be a prerequisite for a successful ROZ program. Beyond joint production, the ROZ may also prove sufficiently attractive to both Afghanistan and Pakistan that it could lead to new commitments to increase cross-border cooperation in areas such as transit trade facilitation, tariff harmonization, or other areas.

Relocation vs. New Investment. The QIZ program is primarily aimed at new investments in export-oriented manufacturing. This is certainly the case in Jordan, where virtually no export-oriented RMG industry existed before the introduction of the QIZs. In Egypt, where existing enterprises can be designated as QIZs, the trend so far has still been towards QIZ designation of new investments, generally with foreign participation. The ROZ is being considered in a different context, where few existing enterprises could be designated as ROZ exporters, but where the potential exists for existing exporters to relocate to a ROZ, particularly in Pakistan. In terms of the ROZ's security objective there may be some marginal benefit in the pure relocation of an existing exporter to the study area (in effect relocating unemployment from western to eastern Pakistan) but such an outcome would be of questionable value considering the formidable security challenges that exist across Pakistan. In the near term, the ROZ would have to offer overwhelming advantages to existing enterprises in order to motivate a full-scale relocation, but a more cautious partial relocation or expansion may well be more likely.

Defining Success. Common to all of these considerations is the question of what a ROZ is expected to achieve in the near and long term to be considered a success by the U.S., the Governments of Afghanistan and Pakistan, and the residents of the study area. Here, too, the QIZ experience is instructive. In the more mature Jordanian case, the QIZ experience to date is generally considered a qualified success: The program employs Jordanians who did not have jobs before, has increased and diversified Jordan's export performance, sparked important private investment in industrial land development, and served as a critical stepping stone towards the U.S.-Jordan Free Trade Agreement. These successes are balanced by the high proportion of imported workers in QIZ factories, persistent labor problems, and the fact that economic integration with Israel beyond the QIZ program remains minimal. In Egypt, where the program is only beginning, expectations for employment generation are high. In the case of Afghanistan and Pakistan, the ROZ program alone certainly cannot be expected to reduce unemployment and generate household income to the point where terrorists and narcotics traffickers cannot find recruits. The ROZ can, however, serve as an important economic policy complement to parallel activities in customs modernization, export promotion, crop substitution, trade capacity building, and other initiatives all aimed at the same goal of increasing regional incomes, stability and cooperation. In addition, the ROZ can help to serve as a focal point for development in ROZ eligible areas that can draw in complementary efforts by other trade partners. Judged on this basis, the ROZ may have the potential to lead to an outcome that is considered a success by all stakeholders.

1.2 Methodology

The Statement of Work for this assessment provides a clear framework for examining the potential locations and product coverage of a ROZ program. The study team held meetings in Washington, DC, with members of the Inter-Agency Working Group on Reconstruction Opportunity Zones and visited the study area for seven weeks in order to obtain the necessary

information and context for the preparation of this assessment. The analysis presented here is based on the following methodology:

- **Location assessment.** The team examined potential locations for ROZ enterprise activity by focusing on existing economic centers that may support ROZ activity and on the main trade corridors along with the landlocked ROZ eligible areas that have access to the U.S. export market. These potential locations were then examined based on available infrastructure and available labor pools. After developing a standardized description of potential sites they were ranked based on a qualitative composite index and prioritized for their suitability as ROZ pilot sites based on their near-term development potential.
- **National trade analysis.** The study team analyzed national trade data to determine the revealed comparative advantage (RCA) of existing industries in Pakistan. For Afghanistan, owing to trade distortions, the RCA index was not adopted and a filtering process was instead utilized to assess its actual export base. This analysis was carried out at the six-digit harmonized system (HS) level.
- **Industry analysis.** Existing industries in the study area were then examined to develop an understanding of the unique regional economic aspects applicable to the study area. Based on this analysis, the six-digit HS list developed as part of the national trade analysis was refined in two ways. First, the list was reduced by eliminating those sectors that are not currently located in the study area in each country and have little or no potential of emerging there, based on regional economic attributes. Second, new sectors that do not currently appear in the RCA analysis but may have future export potential based on regional attributes were added.
- **Tariff analysis.** The revised six-digit HS sector list was then expanded to the eight-digit HS product level to arrive at a list of all products that could be exported to the world from ROZs in each country. This product list was then analyzed based on current U.S. Most-Favored Nation (MFN) tariffs to arrive at a list of those products where a ROZ designation could increase the competitiveness of producers in the study area.
- **Rules of origin.** Analyses are developed of the capacity of export-oriented producers to comply with alternative rules of origin in Pakistan and Afghanistan and thereby meet the employment creation objectives of the program and reinforce economic cooperation between Pakistan and Afghanistan.
- **ADS 225 assessment.** An analysis of the ROZ program's compatibility with ADS 225 concerning potential impacts on U.S. employment and workers' rights was prepared.

The remainder of this document lays out the study team's key findings in three chapters. A series of appendices contain additional analytical discussions and background documentation for reference. The assessment is organized as follows:

Chapter 2 presents an assessment of the potential for developing ROZs in Pakistan, with particular emphasis on the border areas with Afghanistan.

Chapter 3 presents an assessment of the potential for developing ROZs in Afghanistan.

Chapter 4 presents an integrated overview of the assessment's findings and conclusions including supporting efforts that may supplement the ROZ program to improve its potential for success.

Chapter 2. The Pakistan Assessment

2.1 Economic Context

Pakistan is relatively well positioned to take advantage of a ROZ on its territory in terms of its current export performance, access to export markets, several factor cost indicators, and security. The Pakistani economy is growing at a strong rate of 6.6 percent, down slightly from 8.6 percent last year. This growth is being driven largely by the service sectors and industry. Manufacturing as a whole accounts for just over 18 percent of GDP, and growth in large-scale manufacturing (which represents 70 percent of total manufacturing) outpaced the economy as a whole at 9.0 percent (down from 15.6 percent of last year).⁶ Overall, Pakistan's manufacturing outlook is strong, based on banking system liquidity, exchange rate stability, domestic consumer durables demand, and high business confidence.⁷

In 2005, Pakistan's total exports were \$14.3 billion, with \$3.2 billion entering the United States. This figure represents a 13 percent increase over 2004. Pakistan's major trading partners include the United States, U.A.E., U.K., Germany, Hong Kong, Saudi Arabia, and China.

Pakistan's relatively dynamic manufacturing sector is concentrated primarily in the Karachi and Lahore areas and not in the proposed ROZ eligible areas. The established locational and market advantages of these two main industrial centers present a significant challenge for the ROZ program since both Pakistani and international investors clearly prefer these locations. On the other hand, the presence of an established and vibrant existing industrial economy in Pakistan at least presents the opportunity to expand this activity into the ROZ area if the added ROZ benefits can overcome existing location disadvantages.

It is noteworthy that both the manufacturing sector and exports in general are heavily concentrated in the textile and apparel sector - textiles accounted for 63 percent of total exports last year and constituted 90 percent of Pakistan's exports to the United States. The country thus has an established and relatively well-performing existing industry in the sector that has emerged as the backbone of the QIZ program in Jordan and Egypt.

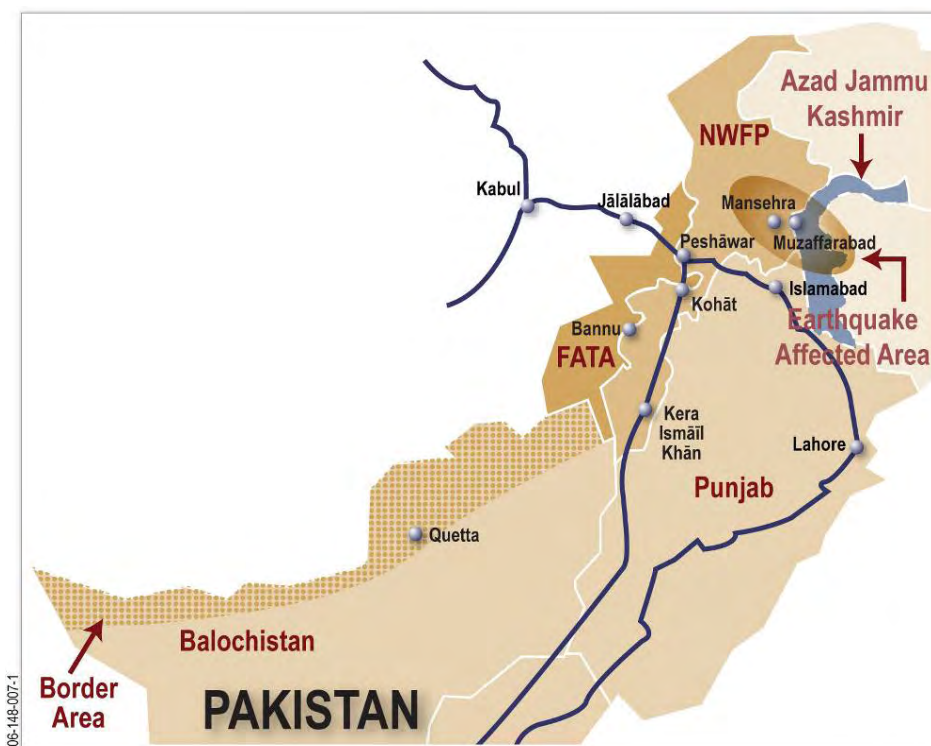
2.2 Location Assessment

Introduction. The study team examined potential locations for ROZ enterprise activity by focusing on existing economic centers that may support ROZ activity and on the main trade corridors along which the landlocked study area has access to the U.S. export market. These potential locations were then examined based on available infrastructure and available labor pools. After developing a standardized description of potential sites they were ranked based on a qualitative composite index and prioritized for their suitability as ROZ pilot sites based on their near-term development potential.

⁶ Pakistan Economic Survey 2006, World Bank

⁷ *ibid*

Map 2. ROZ Eligible Areas in Pakistan



The ROZ Eligible Areas. The Scope of Work for this project used the term “Territories”⁸ to describe the political jurisdictions (or parts thereof) that compose the potential ROZ eligible areas. The Territories identified for assessment include all of the Northwest Frontier Province (NWFP), all of the Federally Administered Tribal Areas (FATA), the Earthquake Affected Area (EAA) including the portion of Azad Jammu Kashmir affected by the earthquake, and the area of the Balochistan Province adjoining the border with Afghanistan.

Interviews. The study team used an extensive interview process to obtain input and advice from governmental and business leaders. The interviewees are listed in the Appendix. Over 150 interviews were conducted covering a broad range of government and business sectors. In accordance with the SOW the following groups were interviewed:

- *Working level officials in government of Pakistan offices.* Interviews were held with representatives of the Ministry of Commerce and Trade, Ministry of Agriculture, Ministry of Textiles, Export Promotion Board, Board of Investment etc.
- Provincial and municipal level officials in each of the territories
- World Bank and other donor projects working on private sector development to obtain their recommendations regarding potential locations.
- *Private sector businesses and industrial groups* such as chambers of industries and commerce to gather data and other factual information directly relevant to assessing the feasibility of possible locations.

Evaluation Criteria. The criteria used for the location assessment include:

⁸ See Scope of Work in Appendix

1. **Access to transportation.** Access to an adequate transportation network is one of the most basis requirements of business. The cost and adequacy of roads, airports and train systems were included in this assessment.
2. **Electric power.** The cost of both grid power and self-generated electric power are factored into this assessment.
3. **Labor Availability.** The availability of skilled labor (particularly in the border areas) is of particular concern to business.
4. **Security.** Security of both personnel and plant and equipment is of growing concern in the border areas and has a major impact on the location choice of business.
5. **Access to Finance.** This factor was considered but for Pakistan it has little variation based on location. The type of industry has more of an influence on access to finance and this will be further discussed in the following chapter.
6. **Land Title.** The ability to obtain clear title or enforceable leaseholds is a central concern for businesses making long-term investment decisions.
7. **Existing Production Capability.** This factor is used as an indicator for the potential expansion of industrial activity in an area.
8. **Existing and planned infrastructure.** In many cases this factor overlaps with the transportation and electric power factors however it may also include items of social infrastructure and employment training facilities.
9. **Water availability.** Depending on the type of industry the availability of water may be a major location decision factor.
10. **Availability of Natural Resources.** The availability of natural resources is assessed at two levels. The first is whether a particular location has available resources that might be exploitable for export purposes. The second is the location of an area relative to other natural resources that might need to be imported to the area for production. This second aspect will be further discussed in the section on industrial capacity.

The Location Assessment

The purpose of the location assessment is to evaluate the areas based on their potential for industrial development with particular reference to those industries that may be the most responsive to the ROZ incentive. Note that in each Territory the assessment is based on the conditions of key cities that best reflect the location features and industrial development potential.

Figure 1 highlights the, in some cases, extreme variation in the location potential of each Territory. This is not surprising given the very different character of each of the Territories. Note that a distinction is being made between the central portion of NWFP and the southern section of this province. The following is a summary of assessment results.

NWFP-Central. NWFP-Central is the highest rated industrial location among the areas assessed. It has the highest level of infrastructure investment and the greatest access to all modes of transportation including road, rail and air and the highest concentration of existing industry. However, there are significant deficiencies in the area. The most significant factor is the lack of reliable and quality power supply. Although most businesses have learned to live with poor supply, the lack of reliable electrical power will continue to limit the attractiveness of the area for the kind to larger scale enterprises envisioned for the ROZ.

Figure 1. Area Assessment Matrix: Pakistan

Criteria	Pakistan				
	NWFP-Central	NWFP-South	FATA	Earthquake Area	Balochistan
	Peshawar, Nowshera-Marden	Kohat, Bannu, D.I. Khan	Khyber and Mogmand	Mansera and Muzaffarabad	Quetta
1. Access to transportation					
Highway	9	8	5	2	5
Port	6	7	5	4	7
Airport	8	5	4	2	8
2. Power					
Grid	8	7	3	7	5
3. Labor Availability					
Skilled	9	5	1	3	3
Unskilled	9	7	7	5	6
4. Security	9	5	-3	8	-5
5. Access to Finance	7	7	2	7	7
6. Land Title	9	9	0	9	9
7. Existing Production Capability					
Export oriented	5	3	0	0	3
Domestic oriented	9	7	3	3	6
8. Existing and Planned Infrastructure	8	5	2	3	3
9. Water	8	8	3	8	3
10. Availability of Natural Resources					
Relevant to "A" list of products	6	5	2	1	3
Relevant to "B" list of products	5	5	3	3	5
Total	113	93	37	65	68

The other major constraint on industrial development in NWFP is the general lack of raw materials with the exception of marble and granite that will be discussed below. Almost all of the raw materials relative to the products that might benefit from the ROZ would have to come from either Karachi or Lahore or from abroad. Local business people refer to this situation as "double freight costs" meaning that the raw materials must be shipped to NWFP and then the finished product shipped back to Karachi for export. Security is also an issue in the central area of NWFP. Although the security situation is slightly better than for NWFP-South it is still a cost factor for businesses locating in the area.

NWFP-South. NWFP-South is comprised of the Kohat, Bannu and D.I. Khan districts. All of these districts have significant road links to and through the southern districts of FATA to Afghanistan and the principal industrial locations within the districts lay along the Indus Highway that gives direct access to Karachi. There is also significant industrial capacity in the area represented by several major cement factories, a woolen textiles mill, flour mills and several other food processing facilities.

Electric power in this area is a problem due to power fluctuations and outages. Companies with sensitive equipment have no choice but to install back-up generators and other companies just learn to work around the outages. Road access is good and all goods are delivered by truck. The gas line ends at Kohat and locations south of there do not have gas. The ability to attract skilled labor is a major issue as it security.

Balochistan. Quetta was singled out among potential border locations in Balochistan as the most likely to have ROZ potential. Quetta is located on the principal highway linking the ports at Karachi and Gwadar to Iran and Afghanistan and parts of central Asia. As such trading is the principal economic activity and little industry has developed.

Map 3. Northwest Frontier Province and the Federally Administered Tribal Areas.



Map 4. Border Area of Balochistan



The principal limitation for Balochistan is security. Of the 183 total bombings in Pakistan so far in 2006, 74% of them occurred in Balochistan and many of them in the Quetta area. The other factor is the difficulty of attracting skilled labor. The lack of water is another factor limiting the

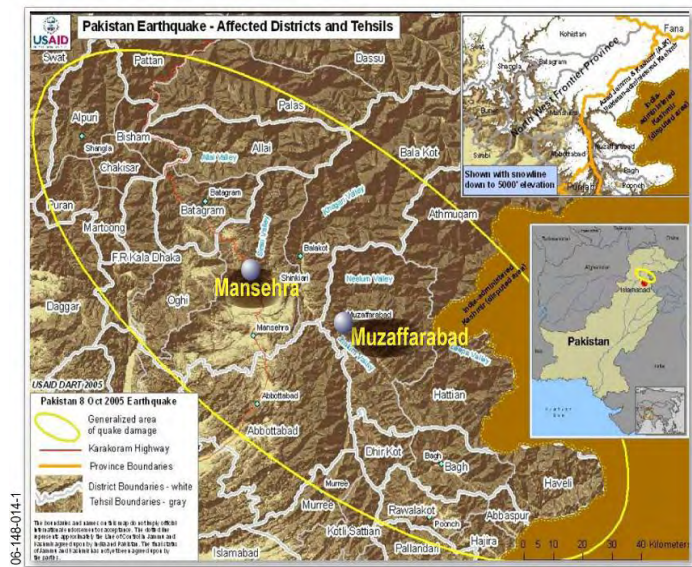
industrial potential of Quetta. The area has experienced a severe drought since 2000 and the water table has now dropped to as low as 900 feet in some areas of the city.

Earthquake Affected Area. There are only two potentially viable industrial locations within the Earthquake Affected Area (EAA)--Mansehra and Muzaffarabad. Mansehra has the advantage of being on the Korakorum Highway but little industry has developed in the area--it is primarily a poultry producing area.⁹ Mansehra has one industrial estate run by the Small Industries Development Authority but the estate is has a few warehousing and light manufacturing operations, but it is mostly unoccupied. Muzaffarabad on the other hand appears to have a fairly well developed set of wood products companies making use of the timber resources in the northern area. However, Muzaffarabad has relatively poor road access. The Muzaffarabad industrial estate was located directly on a fault line and was completely destroyed in the earthquake and only 2 companies have rebuilt. The city is now in the process of acquiring land for a new industrial estate away from the fault line. For these reasons EAA received a relatively low rating for production capacity. Security on the other hand receives the highest rating among the areas reviewed. The availability of both skilled and unskilled labor is low in the area due to the tradition of people migrating elsewhere to work.

FATA-Khyber District & Mohmand District. Among the FATA Districts, Khyber and Mohmand are the most accessible and have the least security risk although it is significantly higher than in the developed areas of NWFP especially for an outside investor. This area also has a particularly high quality of marble and granite and a fairly well established mining industry and an emergent marble tile manufacturing industry. For this reason the area is given a higher rating for natural resource availability. One of the principal advantages of this area is its proximity to the Peshawar industrial area and the relatively good road access: the Khyber Agency has excellent access and the Mohmand Agency has fair but reasonably short access to the Peshawar road network--the rating for this category reflects an average of these two conditions.

However, as shown in the ratings these few advantages are far outweighed by the deficiencies. Although security is less of a factor in these two agencies it remains a major concern for investors or joint venture partners from outside the area. The lack of clear land title and the uncertainty of the tribal judicial system are also limiting factors for investors. On the logistical side electric power is unreliable, water is in short supply, and the existing infrastructure is rudimentary.

Map 5. Earthquake Affected Area



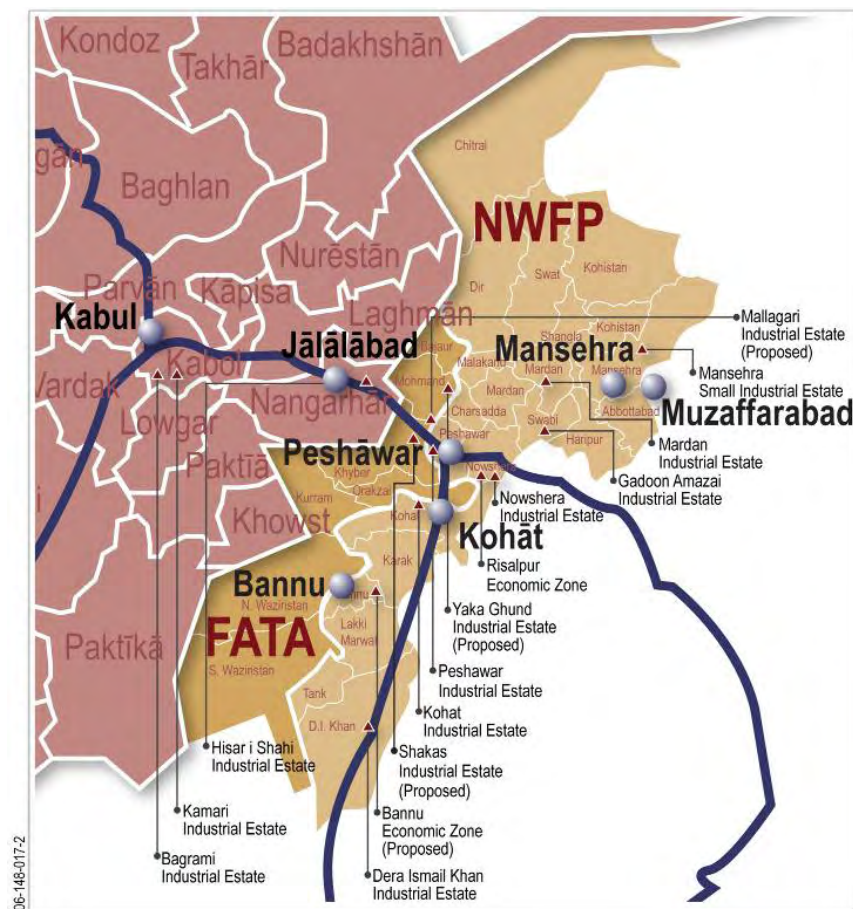
⁹ USAID Assessment of the Earthquake Affected Area, May 2006

Although this area rates poorly overall it has the intangible advantage of being close to the industrial base of NWFP-Central. Its inclusion as a potential ROZ location would also create a development corridor to the Afghanistan border. For these reasons this area of FATA may be attractive for a ROZ independent of its specific rating

Industrial Estates

Over the past 40 years there have been a number of attempts in Pakistan to establish what are locally known as industrial estates which are the equivalent of industrial parks in the US. Most have fully established road infrastructure, at least partial access to utility services, and estate management provided by Sarhad Development Authority (SDA). SDA is a public sector development and management agency established by the Provincial Government in 1972. Although SDA is a semi-autonomous body intended to act as a business oriented entity, there was little evidence of that orientation. Additional work will be needed to restructure and focus the SDA on modern professional industrial park management. The following map shows the locations of the industrial parks included in this study.

Map 6. Industrial Estates in NWFP and FATA



The industrial estates can be grouped into three broad categories. The first are those that have abundant land but are not well located--Gadoon, and Kohat for example. The second are those that are proposed but not yet built--Bannu and Muzaffarabad being examples. And finally those that are both well located and have land available--Nowshera and the Risalpur EPZ are examples.

The industrial estates may play an important role in the ROZ but they will require significant improvement in both infrastructure and management before they can meet the requirements of new industries. And in some case such as Jamrud Industrial Estate they will require additional land acquisition to accommodate the ROZ companies.

Figure 2. Industrial Estates Assessment: Pakistan

	Location	Year Est.	Land Area (Acres)	Number of Operating Companies	Land Available	Location Rating
Northwest Frontier Province (NWFP)						
Gadoon Amazai Industrial Estate	Swabi	1989	1,116	62	abundant	poor
Jamrud Industrial Estate (Peshawar)	Hayatabad	1963	868	208	vry limited	excellent
Nowshera Industrial Estate	Risalpur	1992	108	28	available	good
Risalpur Export Processing Zone	Risalpur	1998	92	1	available	good
Mardan Industrial Estate Phases I & II	Mardan	1975	90	36	available	fair
Kohat Industrial Estate	Kohat	1984	40	2	abundant	very poor
Bannu Industrial Estate (proposed) *	Bannu	proposed		na	na	poor
Bannu Small Industries Estate	Bannu	unknown	20	2	limited	fair
D.I. Khan Industrial Estate*	D.I. Khan	1991	189	1	abundant	poor
Earthquake Affected Area						
Mansehra Industrial Estate	Mansehra			10 to 15	limited	very poor
Muzaffarabad Industrial Estate*	Muzaffarabad	(destroyed in earthquake)		3	abandoned	fair
Muzaffarabad Industrial Estate--II *		Proposed		na	na	fair
Federally Administered Tribal Area (FATA)						
Shakas, Khyber Agency (proposed)	Khyber	Proposed		na	na	fair
Mallagori, Khyber Agency (proposed)	Khyber	Proposed		na	na	very poor
Yaka Ghund, Mohmand Agency (proposed)	Mohmand	Proposed		na	na	poor
Baluchistan						
Quetta Industrial and Trading Estate*	Quetta	1986	unknown	unknown	abundant	fair
Quetta Small Industries Zone*	Quetta	1960	50	2	abundant	fair

* site not personally visited by the Team but included in the assessment.

Cross-cutting Location Issues

Electric Power. Despite efforts to encourage efficient utilization of energy resources, the technical, financial, and operational efficiency of the power sector has continued to deteriorate resulting in relatively costly yet unreliable power supply. According to a survey conducted by the World Bank, a majority of the respondents identified the problems of power supply as a major obstacle to business expansion. It is estimated that a typical business in Pakistan on average loses 5.6% percent of annual output due to power outages compared to less than 2% for the average plant in China.

In order to minimize downtime caused by problems in power supply, firms are often forced to use their own generators. The estimated average use of generators ties up capital of a firm up to about 12 percent of its fixed assets. To make the situation worse, businesses often experience delays in getting power connections. For instance, according to World Bank (2003), the average

waiting period for a business to obtain power connection is 45 days in Pakistan versus only 15 days in China.¹⁰

Figure 3 highlights the relative cost of power supply. Grid power is relatively inexpensive however as mentioned in most locations it tends to be unreliable and of poor quality. Companies that require quality, reliable power must use back up generators. Diesel generated power costs twice as much as grid power for only for the operating costs. Including the capital costs would make the overall cost even higher. For those locations services with natural gas, the cost of power production is equivalent to the cost of grid power but again that does not include capital costs which are significantly higher than diesel generators.

Figure 3. Cost of Electric Power

Source	Cost/kwh
Grid	\$0.071
Diesel Generator	\$0.149
Gas Turbine Generator	\$0.070

Security

Security costs in Pakistan are on average, higher than the rest of the region: 1.09% of sales compared to 0.81% for the region. The security costs are even higher for the areas considered for the ROZ, however no precise data are available.

Figure 4. Security Costs

Security Issue	Pakistan	Region	All Countries
Security costs (% of sales)	1.09	0.81	1.37
Losses due to theft, robbery, vandalism, and arson against the firm (% of sales)	0.08	0.34	0.81

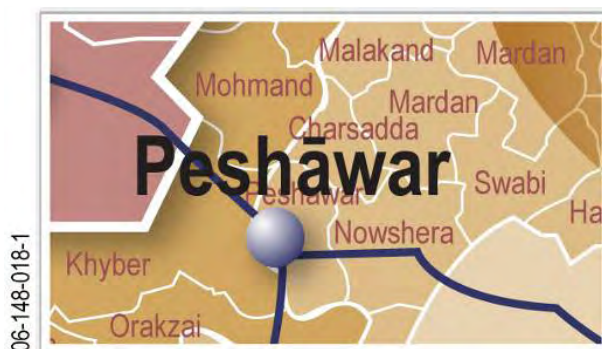
Source: World Bank

Location Assessment--Key Findings

Focus Areas. The recommended near-term ROZ focus areas include Peshawar, Nowshera, Mardan and Swabi, districts of the Northwest Frontier Province. The remaining districts of the study area may have future potential, however the focus areas provide the greatest opportunity for ROZs in the near term.

Role of the Existing Industrial Estates. The existing public sector sponsored industrial estates could potentially play a major role in the ROZ program. However, these estates will require substantial improvements in their management systems, expansion of basic infrastructure, and in some cases additional land acquisition.

Map 7. Near-term Focus Areas for ROZ in Pakistan



¹⁰ Key Issues in Industrial Growth in Pakistan, A.R. Kemal, Lahore School of Economics, 2 May 2006

Designation of ROZs. Given the diversity of location factors and the limited current suitability of the existing industrial parks the choice of which parks will be utilized should be left to the private sector. In conjunction with the implementation of the ROZ program, private sector representatives from each industry sector should be engaged to identify locations that are most appropriate to their requirements. The process for a potential ROZ designation process is discussed below.

2.3 Product Analysis

The primary objective of this section is to identify products within Pakistan's current export portfolio to the U.S. and to the rest of the world that are most likely to benefit from the ROZ program based on their existing level of competitiveness in the respective markets. While it is recommended that the ROZ program provide a level of access to the U.S. market similar to the existing QIZ program for Jordan and Egypt, it is likely that Pakistan will reap the most benefits from a narrower range of products that it already exports competitively to the U.S. or rest of world and/or could produce competitively in the ROZ designated territories.

The identification of this range of products is based on the three-step process described above--this process governs the organization of the remainder of this section:

- **Step 1: National Trade Analysis** The first section identifies the products at HS-6 digit level within this broader range of existing exports in which Pakistan has demonstrated a comparative advantage in world markets.
- **Step 2: Industry Analysis.** The resulting list of products will provide the basis for an industry competitiveness assessment of existing and potential sectors that can be developed in the specific ROZ territories, and the potential benefits in terms of job creation in these territories.
- **Step 3: Tariff Analysis.** These products are then assessed in terms of the potential impact of the proposed ROZ tariff relief to stimulate exports to the U.S. market.,

2.3.1 Step 1: National Trade Analysis

The United States is Pakistan's largest export market, accounting for almost 30 percent of total exports from Pakistan in 2005. These exports comprise over 1,000 products at HS 6-digit level, although textiles and apparel exports account for 89 percent of Pakistan's total current exports to the U.S. At the same time, Pakistan currently accounts for 2.9 percent of U.S. total imports in 2005. This suggests that given the size of Pakistan, relative to other trading partners, it already enjoys a reasonable share of the U.S. market at a national level.

The potential range of products that are most likely to benefit under the ROZ program are those in which Pakistan already has a comparative advantage vis-à-vis other exporting countries. The concept of "revealed" comparative advantage (RCA) identifies countries whose factor endowments make it advantageous for them to specialize in the production of particular goods. The index measures whether and to what degree a given product's share in country's total exports exceeds the share of that same product in total world exports.¹¹

¹¹ The revealed comparative advantage (RCA) index for country i in the production of product j is defined as;

$$(2) RCA_{ij} = [x_{ij}/X_j]/[x_wj/X_w] * 100 \quad (1)$$

Where x_{ij} and x_{wj} represent the value of j exported by country i and the world, while X_j and X_w are total exports by country j and the world, respectively. If its value exceeds unity, the country's export of product j is relatively greater than the world's

However, the RCA index must be used with some caution since domestic measures such as subsidies or foreign trade and tariff barriers that have nothing to do with comparative advantage can impart a bias in the index.¹² The ROZ provision of duty free access to the U.S. market should be expected to cause some products in which Pakistan currently is not competitive.(i.e. $RCA < 1$) to increase their competitiveness and exports to the U.S.¹³

Figure 5 presents a broad overview of Pakistan's comparative advantage in its existing export portfolio. The table differentiates between those products currently subject to MFN tariff rates and those that benefit Pakistan under the GSP program. While those products that currently fall under MFN tariffs in the U.S. offer the most obvious potential benefits under the ROZ program, it is useful to identify what other products may benefit under the ROZ program, given the existing quotas and rules of origin under GSP that may limit Pakistan's export potential, as well as the possibility that the GSP program may not be approved in the future.

Pakistan recorded exports in 2,125 HS 6-digit products to the world in 2005, of which it demonstrates a revealed comparative advantage in 648 products. Of these, 514 products fall under MFN rates and the rest under the U.S. GSP regime (see complete list in the Appendix). Of the products exported under the GSP regime, only 134 HS 6-digit products demonstrate a revealed comparative advantage—together, these products account for only 1% of Pakistan's exports. This suggests that GSP items, including those that are textile products (mainly carpets), are not the most dynamic exports of Pakistan.

Of those currently subject to MFN rates, the highest share of RCA products belong, not surprisingly, to Pakistan's major export sector, textiles and apparel, which account for over two-thirds (365) of the product lines. However, there is an array of vegetable products and processed foodstuff such as light oils and preparations, cane molasses, shrimps and prawns, grains, pecans, fruits fresh and dried products, semi-milled or wholly milled rice; Leather products such as footwear; Marble products; Gems and jewelry and Light Engineering products that Pakistan has demonstrated a comparative advantage. Of these non-textile products footwear in particular and miscellaneous manufactured products such sleeping bags, Non electrical lamps and lighting have high to moderate U.S MFN tariffs.

Figure 5. Pakistan: Exports at Section Heading with $RCA > 1$

HS Section Heading	Under MFN		Under GSP	
	$RCA > 1$	Share of exports to US	$RCA > 1$	Share of total exports to World
I Live animals	18	0.3	7	0.0
II Vegetable products	19	0.3	24	0.0

exports of product j, and the country is said to have a comparative advantage in the production of product j. In contrast, if the RCA index is below one the country is at a comparative disadvantage in the product. See Yeats 1985 for more details.

¹² For example, some governments have actively encouraged the importation and assembly of specific electronic components reasoning that this could be an initial first step leading to the development of a full comparative advantage in "high-tech" industries, see World Bank, (1994a), for a discussion of China's policies in financial and other government incentive to promote exports.

¹³ The recent IIE study using gravity model analysis suggests the likely increase in Pakistan export from Pakistan-U.S FTA around 31.7%. This is a consequence of reciprocal free trade access by both Pakistan to the U.S., which includes not only the effects of Pakistan's preferential access to the U.S market, but also the expected scale and competitiveness effects of lowering Pakistan's tariffs on imports from the U.S. If we consider non-reciprocal effect of U.S. unilateral duty-free access to Pakistan we could reasonably assume at least half of the estimated trade growth (31%) would take place, i.e. 15.5 %. Presence of duty free access then, tilt some product (especially those near RCA index value of 1) over the index value of 1.

HS Section Heading	Under MFN		Under GSP	
	RCA> 1	Share of exports to US	RCA>1	Share of total exports to World
III Animal and vegetable fats	Nil	0.0	Nil	Nil
IV Prepared foodstuffs, beverages	3	2.0	6	0.0
V Mineral products	3	0.4	1	0.0
VI Products of the chemicals	7	0.0	5	0.0
VII Artificial resins	5	0.3	3	0.0
VIII Leather	12	0.2	19	0.0
IX Wood	Nil	Nil	Nil	Nil
X Paper-making material	Nil	Nil	Nil	Nil
XI Textile and Apparel				
<i>Textile Products</i>	175	6.9	12	0.0
<i>Apparel</i>	158	8.2	6	0.0
<i>Home Textiles</i>	31	6.2	3	0.0
XII Footwear, headgear, umbrellas	15	0.1	4	0.0
XIII Articles of stone	12	0.1	7	0.1
XIV Pearls and precious stones	5	2.6	1	0.0
XV Base metals	20	0.3	14	0.0
XVI Machinery	8	0.4	4	0.0
XVII Vehicles, aircrafts	3	0.0	1	0.0
XVIII Optical photography	8	1.2	5	0.0
XIX Arms and ammunitions	2	0.0	2	0.3
XX Misc. manufactures articles	9	0.0	10	0.1
Totals	514	29.56	134	1.0

Source: Authors calculations based on U.N. (COMTRADE) data

The above analysis, which is based on national-level trade data, provides the starting point for the ROZ industrial capacity analysis that follows. The product list of 514 HS 6-digit items will provide the main reference for an industrial capacity assessment of existing and potential sectors that can be developed in the specific ROZ territories.

2.3.2 Step 2: Industry Analysis

This section provides information on the capacity of industries that are currently operating and exporting from Pakistan. This analysis is based on a refinement of the list of products identified in the preceding RCA analysis, but also includes other industries that were not part of the RCA index if they were deemed to have potential for operating in the ROZ designated areas, and the capacity to export to U.S. markets. The sectors/products were assessed for industrial capacity based on information from a variety of sources and screening of sectors/products using established criteria. The resulting short-list of ROZ products will then be assessed in the subsequent section in terms of the potential impact of the proposed ROZ tariff relief.

Methodology

The selection of industry sectors was achieved through a three part process:

- *Overview of existing industries of the ROZ study area.* The study team conducted a broad assessment of industrial activity in the ROZ study area. Information was gathered from secondary sources and a variety of key representatives from relevant government agencies, trade associations and major players in the private sector.

- *Refinement of six-digit list of products.* The team filtered out product categories identified in the trade analysis that did not show potential for development in the ROZs, and also added other product categories that did not display a comparative advantage based on existing trade data but appear to have export potential. More targeted information was gathered from documentation, meetings with key representatives and on-site interviews with businesses. The team also conducted interviews with businesspeople using a standardized questionnaire that was developed for this assessment, and aided in providing information at the firm-level. The information acquired through the surveys related to firms' market access, management/manpower, raw materials, finance, policy/security, infrastructure, and technology.
- *Ranking of sectors.* The team ranked identified sectors as illustrated on the table below to show the sector/products that have the greatest potential based on the criteria. The criteria included the following:
 - Potential Employment Creation -- the potential for the sector to generate employment including forward and backward linkages.
 - Skills Development Capacity – the current availability of technical skills development for skills needed in the sector.
 - Required Infrastructure – the level infrastructure currently available (such as power, water, telecommunications) required for the sub-sector.
 - Access to finance – potential for acquiring funds from formal sources.
 - Support to the Sector – Developmental initiatives from government, trade associations, NGOs, etc.
 - Level of Technology – technological needs as relates to other sectors.
 - Availability of raw materials – Level of availability of raw materials at fair costs and required quality.
 - Production Exported – Exports from the sector as relates to production.
 - Labor Intensity – The number of employees used in production, relative to capital expenses.

Figure 6. Sector Ranking Matrix: Pakistan

Criteria	Sector	Textiles	Apparel	Home Textiles	Wood Furniture	Marble	Carpets	Gem and Jewelry	Leather
1. Potential for employment creation		6	8	7	5	4	8	4	5
2. Skills development Capacity		7	7	7	5	5	6	4	5
3. Required infrastructure		7	7	7	5	4	6	4	7
4. Access to finance		5	5	5	3	3	2	3	3
5. Support to the sector		6	7	7	4	6	4	5	6
6. Level of technology		7	7	7	4	2	4	3	6
7. Availability of raw materials		7	7	7	4	10	6	9	6
8. Production exported		7	9	8	3	4	7	4	6
9. Labor Intensity		7	9	8	6	5	9	5	7
TOTAL		59	66	63	39	43	52	41	51

The industry sectors were ranked on a 1 to 10 scale (one being lowest) using the criteria presented in the matrix shown above. The sectors/products were rated for all criteria and scores were totaled based on information from interviews and survey. The end result was a prioritized ranking of the sector/products – with highest scoring sector being viewed as the most promising to benefit from duty free access to US markets from an industry capacity point of view.

From the above rankings we see that the textile sector (to include spinning/weaving, garments, and home textiles) are the most promising due to the current state of the sector with regard to infrastructure, support, available technology, and production exported. Labor intensity for this sector also contributes to the total ranking. Other top ranked sectors are carpets – due to high exports and employment, leather (shoes and gloves) – also due to exports and employment, and marble and gems mainly due to their large deposits of raw materials.

These sectors/products are expanded to the 8 digit level with further analyses based on tariff (presented in section 2.3.3 – Tariff Analysis).

Assessment of Sectors

The following are brief analyses of the sectors/products that were assessed based on information from the trade analysis and information that supported other sectors that could potentially benefit from a ROZ program in the targeted area:

Textiles Sector Overview

The textile value chain, which includes spinning and weaving, garments, and home textiles, in Pakistan is a major contributor to the economy as a whole (38% of total employment – approximately 15 million). The sector is well established and has systems for skills training and solid infrastructure in place. Technology in the sector is uneven, with highest technology being utilized in the larger firms. Because of its importance to the overall economy, the sector has significant support from the government and related trade associations. Government support has been in the form of export incentives, tax relief and initial depreciation allowances, but there is also a strong lobbying effort in place led by various trade associations. Export production, for the most part, is at a high level of technology and reported to be of global standards.

For the purposes of this report, textiles is defined as the production of the raw materials that are used for the garment and home textile products. This procedure involves spinning, weaving or dyeing raw cotton and blends into fabrics, yarn, and thread. There are two modes of operations for the “textile” sector in Pakistan. The first includes textile mills that service mainly the small and medium RMG producers and produce for export. The second includes larger garment producers that have integrated spinning and weaving in-house. Export of “textiles” is reported to have been over US\$3 billion in 2004. Textile production is based mainly in Karachi, Faisalabad, Multan and Hyderabad. However, these areas are not part of the areas proposed for the ROZs, so there would have to be efforts to relocate production to the ROZ areas. There is potential for both backward and forward linkages for this sector as well as employment up and down the value chain.

Apparel Sector Overview

Within the textiles sector apparel represents the vast majority of export volumes and value. The U.S. remains the major market for Pakistani apparel exports. Although apparel is a major industry in Pakistan, total exports only represents slightly more than 1% of world textile exports. The major export products include men’s, women’s and children’s woven and knit clothing as well as clothing accessories.

In 2001 it was estimated that there were 4,500 apparel units in Pakistan. The greater percentage (80%) can be regarded as “home-based” enterprises, while the remaining 20% are formal industrials. Total production requires approximately 650,000 sewing machines with 200,000 of those being utilized by the large industries and 450,000 at the home-based level. Total employment is reported to be about 800,000 men and women. Most production of apparel is located in Karachi and Lahore. Production in the proposed ROZ areas is limited and apparel firms would need to calculate a significant benefit in relocating from current production sites.

Home Textiles Sector Overview

To distinguish from apparel, the home textiles sector includes bed sheets, pillow covers, and quilts. The sub-sector produces approximately 30% of the total textiles product exported from Pakistan. Production and exportation has grown significantly in the past few years. In the early part of this decade this Pakistan was, globally, the second largest exporter (after China) and the U.S. was the largest importer for global home textiles. As with apparel, there are many units producing home textiles in Pakistan. The Pakistan Small Enterprises Development Agency (SMEDA) reports that there are 150 formal units in the organized sector and very many more in the unorganized sector. Information on the unorganized units is not available. The sector is labor intensive and does not require a high degree of sophistication in the production process.

Wood Furniture Sector Overview¹⁴

The wood furniture sector is characterized by many SME’s that generally have less than 20 employees. These shops are estimated to employ over 100,000 workers nationwide. Other subcontracting shops are in abundance and are used to reduce capital costs (but, this can also decrease control of quality in production). Products are typically made from rosewood (sheesham), teak, walnut and keekar. Rosewood is considered by many to be some of the best quality wood in the world. The designs are based on traditions that go back hundreds of years and are sometimes viewed as overly ornate by western markets. As a result, many producers are combining western modernity with the tradition styles, so as to have greater appeal to global markets.

The main products include bed sets of frames, nightstands, and dressing tables, which account for approximately 40% of total production. Sitting room sets are also popular and represent another 40% of production. Twenty percent of production is dedicated to dining sets. Most products are made by order and there are few showrooms with stocks of products. Products are categorized as Superior (highest quality), Fine (medium quality), and Normal (lowest quality).

Export is mainly to the Middle-East and consists of the “superior” quality products which are about 10% of production. The sector produces and exports 0.036% of total global export market (approximately US \$10 million). Of total Pakistan production, 12% is destined for the USA.

The major local market is mainly for newlyweds and involves the “fine” level of production (30%). Other “normal” production is at a lower scale and is targeted at the lower end of the market.

Main areas of production are Peshawar (8,000 units, most of which are cottage industries), Karachi, and 3 locations in Punjab (including Lahore). Many areas of Peshawar could be proposed as ROZ areas. There is diminishing potential for strong backward linkages as raw materials such as rosewood are being depleted; potential for forward linkages are more

¹⁴ USAID is currently funding and assessment of the forest products and furniture industry in the Earthquake Affected Area.

promising. There are five sector specific constraints and opportunities that could affect competitiveness. First, the wood stocks are rapidly depleting. The rosewood is not being re-planted and is therefore in danger of being totally consumed. There are plans to rectify the situation, but no real action to date. Second, slowed growth rate may be attributed to lack of marketable designs. The entrepreneurs state that they have no knowledge of marketing trends and targets for new markets. Third, there are problems with wood treatment. Traditional sun drying modes can take years, while new methods are too costly for the average firm. Fourth, a lack of training facilities means that new entrants undergo hurried and incomplete apprenticeships. Lastly, there exists a good, traditional skill-set for the sector, but these are mainly old technologies that have potential for up-grading.

Marble Sector overview

There is medium employment potential at both the quarry and processing levels of the value chain with traditional and mostly outdated skills. Infrastructure is an issue for the sector due to the weigh/volume of both raw materials and processed products. This relates mainly to transport, water and electricity. Technology is, for the most part, out of date and contributes to both wastages and poor quality at both quarry and processing. This sector scores high for the raw material criteria as Pakistan is reported to have huge deposits of superior quality stones in a variety of marketable colors and patterns. The sector does currently export, but it is mainly unprocessed blocks. There are, though, tiles and slabs being exported for construction purposes with Afghanistan being the main market.

The production at both the quarry and processing levels are fraught with problems. The main one is wastage. It is reported that there is a net wastage of from 70 to 85% in extracting and processing the marble. At the quarry level this is due to the rudimentary dynamiting of hillsides to extract the marble. Blocks from the quarries are sold in that form to exporters (50%) and to processors. Pakistan has a variety of marble types, the purest being “statuary,” meaning white with crystalline structure. Mineral (mainly chromite) impurities add color, green, pink, beige, black in Pakistan. Market considerations include color, pattern, and grain size (some different markets prefer different colors).

Quarries and processing are located in FATA, NWFP, and Balochistan. The main products are blocks (from the quarry) and slabs tiles, strips from the processors. There is a small amount of decorative marble products being made, but most production is targeted for construction purposes, mainly for local use and as exports to Afghanistan. The locations of both quarries and processing plants are located in areas that could be included in a potential ROZ site. There is good potential for both backward and forward linkages in this sector – mainly at the quarrying, processing and marketing levels.

Several sector specific constraints and opportunities could affect competitiveness. Net waste is up to 85% due to inefficient extraction and processing techniques. This relates to the almost indiscriminate blasting at the quarries and the use of out-dated and inefficient machinery at the processing sites. There is also a proposed PASDEC technology enhancement program that will target wastage, targeting a net 57% waste.¹⁵ Additionally, large deposits of superior quality stone would enable the sector to continue production for many years to come. Lastly, there is an increase in the use of marble in the construction industry worldwide.

¹⁵ Marble and Granite Initiative Presentation, J.E Austin (funded by USAID). USAID has identified the marble and granite industry as an important strategic industry for the NWFP and FATA areas.

Carpets Sector Overview

Pakistani carpets are very competitive in the world market. There is a good deal of employment in the sector, estimated at 1.5 million using 300,000 - 350,000 looms. Skills are mainly traditional and handed down through the years but more modern (greater variety of colors and more abstract) designs have been adapted to western tastes

Carpet weaving technology is being upgraded with the use of power looms throughout the production areas. Finishing (cutting and washing) facilities are widely available, unlike Afghanistan where there is a lack of cutting and washing facilities, resulting in the overwhelming majority of Afghan carpets being finished in Pakistan (and marketed). Most carpets are woven in homes by women and do not require major levels of infrastructure. Support to the sector is mainly from NGOs in many production areas. A good deal of carpet weaving is being done in the areas that could be targeted as ROZs. There is potential for greater levels of this activity given the nature of production. There is good scope for backward (wool, silk, etc) and forward (finishing and marketing) linkages for this sector.

Raw materials are locally available, though some are imported from neighboring countries. Carpet exports during 2004-05 were \$ 277.84 million as compared to \$ 231.45 million of the previous year, showing an increase of 20%. Major buyers of the product were USA (40%), and Germany, Italy, France and UK¹⁶.

Sector specific constraints and opportunities that could affect competitiveness include the following: collection of finished carpets from weavers to finishing centers is not very well coordinated among those in the value chain; little effort toward establishing new exports markets (larger carpet firms have solid markets, the smaller players are at a loss when faced with finding new buyers); and a lack of compilation of designs (traditional and new), which could result in loss of traditional methodologies in the sector.

Gems and Jewelry Section Overview

Pakistan has been blessed with large deposits of a wide array of precious and semi-precious stones. The main stones are: Emeralds, Rubies, Tourmalines, Lapis Lazuli, Kunzite, Peridot, Topaz and Aquamarine. Deposits exist in the northern region of Pakistan, including Mardan, Swat, Hazara, Mohmand Agency, Bajaur Agency, Malakand Agency, Chitral, NWFP Northern Areas (Gilgit etc), and Kashmir. Huge resources are still untapped. Peshawar is the hub of gems trading and processing. No authentic production statistics are available for small-scale mining by a large number of locals in gem rich areas, mostly illegally, in the NWFP, AJ&K, and Northern Areas. The bulk of gem deposits are located in the areas that could be proposed as ROZs – some of which include the earthquake affected areas. Although not a major contributor to employment (relative to other sectors assessed) there does exist good potential for increased backward and forward linkages in this sector.

There are three main sector specific constraints and opportunities that could affect competitiveness. First, inefficient mining techniques result in the loss of many gems. Gems that do survive blasting are prone to striations that could lessen their value. Second, overall, the sector is not well organized. Mining is done inefficiently, collection is not regular, processing is limited and much of the value addition takes place outside of Pakistan. And third, cutting and

¹⁶ Source: Pakistan Export Promotion Board - 2004

polishing activities utilize outdated methods and very crude lapidary equipment resulting in sub-standard finishing of gemstones.

Leather Sector Section overview

The sector has a medium level of labor intensity, but is lacking in required skills training institutions for its labor force in Pakistan. Production in the sector utilizes locally produced raw materials (mainly cow skins) which are reported to be of good quality. Infrastructure requirements are less demanding when compared to other chosen sectors. The sector as a whole faces difficulty in accessing finance from commercial funding institutions. The sector is currently exporting, with exports contributing 1% of GDP. Currently there is limited leather goods production in the areas that could be proposed for ROZs, but potential seems possible due to the availability of raw materials, potential for skills training (through a proposed Footwear Training Institute – Charsadda), and interest on the part of the Export Promotion Board (NWFP) and Min. of Commerce. Local forward (finishing and marketing) and backward links (hides and tanning) also have good potential in this sector.

There are two main products that may have potential for export to the US market, fashion gloves and footwear. The estimated numbers of producers involved in the making of gloves in Pakistan is reported to be 350, and in footwear the number is 524. Most of these producers are in informal sector for footwear, and are not using mechanized technologies.

Most of the footwear firms are characterized as small with less than 20 employees. These businesses provide approximately 1 million direct and 350,000 indirect jobs in the sector¹⁷. There are a few larger firms that are mechanized and produce higher export quality products. The U.S. market for footwear is approximately 15% of the world market¹⁸.

The glove manufacturers are producing mainly for the export market; 90% of all production is exported. Pakistan is the second largest exporter of gloves after China. China has 47% and Pakistan has 10% of the world export market. The products for export are sports gloves, which are 72% of all production, and of relatively low quality. Fashion gloves are 28% of production and are considered high quality by global standards. The USA consumers 34% of world exports of gloves.

Several sector specific constraints and opportunities could affect competitiveness. Among these, the lack of training facilities that teach up-to-date methods is the most prominent. Most producers have been trained via apprenticeships and have little understanding of new production methods and styles. Another problem is that most SMEs use out-dated machinery and are unable to access funding for replacement. Additionally, there is a lack of awareness of markets by many smaller firms. There may be an opportunity for clustering among small firms to benefit from bulk buying of raw materials, sharing of technology, and collaborative marketing. Further, this is a growing sector with potential for servicing many new markets both domestic and international. Lastly, good availability of indigenous leather, experienced tanning industry, and lower labor cost with major activity in Lahore, Karachi, Hyderabad, Faisalabad, and Sahiwal affect competitiveness.

¹⁷ Source: Pakistan Services Industries Limited, 2003

¹⁸ Source: SMEDA, Pakistan Ministry of Industries, 2005

Cross-cutting Issues for Pakistan Industry

Common themes that were voiced by those interviewed in the various sectors were not necessary sector specific, but were relevant to all sectors investigated. The following are some of the main issues:

Assistance in linking to international markets (especially the US).¹⁹ The interviewees mentioned the need for assistance in locating markets. The issue seemed to be that even with tariff relief, there would be a great need for help in finding US markets. Even those already exporting expressed this need, as their exportation is usually at a small scale and done through friends and/or family members in the countries to which products are exported. Some businesspeople producing products that currently have no tariff or low tariff also stated that they would be interested in benefiting from the ROZ initiative if it included provisions for assistance in gaining access to US markets

Difficulty with developing manufacturer to buyer relationships. There were two main issues presented: 1) problems with travel to and from the US and Pakistan - people felt that it was difficult for Pakistanis to visit the USA to try to find new markets, and that it was almost equally difficult for Americans to make the same sort of visits to Pakistan; and 2) it was stressed that there is a strong image issue that Pakistani producers must contend with – one being the view that Pakistan is unsafe and poses a high risk for any commercial collaboration, and secondly that Pakistani products are sub-standard and could not compete with global products.

Manpower. All Pakistan sectors investigated face the problem of lack of skilled manpower. This is especially true of technical skills, but also includes managerial skills. There are currently few institutions that provided comprehensive, quality skills training (except for some related to the textile/garment sector). Most training is “on-the-job” in an apprenticeship mode that is lacking in structure and comprehensiveness. Because training is haphazard, many do not fully grasp the methodologies which can result in sub-standard production and problems with safety.

Technology/product design. Many manufacturing companies are utilizing machinery that is outdated. Some is leftover from older factories and while others are jerry rigged duplicates of older technologies. Many producers at the SME level do not see the possibility of affording the capital outlay needed for new equipment. Few have adapted more modern and efficient production methods. There is also a lack of awareness of designs or standards related to market trends. Much of the productive activities are supply-led without regard for exacting needs and desires of the consumer.

PAK– AFG collaboration. Many of the interviewees were skeptical of the potential for Pakistan-Afghanistan joint venturing and saw any such effort as being detrimental to their businesses. However, despite this general concern about the potential economic dominance of Pakistan, some do see the possibility of entering into joint ventures with Pakistani companies. Because of the vast difference in capacity of the two economies, it will be a challenge to find investment situations where there would be a win-win for both countries. However, there may be scope for collaboration in sectors that are common to both countries such as carpets, marble, textile and apparel, and gems and jewelry. One scenario may be the development of these sectors with cross-border activities throughout the value chain. There may also be scope for Pakistani

¹⁹ For the marble and furniture sectors in particular USAID and J.E. Austin have placed particular emphasis on expanding links to international markets.

companies joint venturing with Afghan companies in a place such as Jalalabad, provided the Pakistanis could rationalize the profitability of starting a business at that location. There may also be scope for a Quetta – Kandahar collaboration when security becomes less of a problem in that area.

Finance issues. There is general difficulty in obtaining funding from banks for the smaller businessperson due to the risk and administrative costs for smaller loans. There is also the issue of security for those wishing to secure fund to start a business in an “unsafe” area. Beyond this, there are the internal business deficiencies related to lack of awareness for costing and pricing and lack of general accounting techniques (again, mainly at the SME level)

From the general responses, it is clear that the business community in Pakistan is faced with some formidable challenges in starting and growing their businesses. These can not be viewed as insurmountable, and the ability for business success is evidenced by the great strides that Pakistan has made in recent years. What will, obviously, require more assistance, creativity and hard work will be making formal enterprises succeed in some of the more “difficult” areas that may be chosen for ROZs.

Summary of Sector Conclusions

- In all sectors there are many small operators and few larger concerns. The smaller businesses typically are operating with out-dated technologies and methodologies (resulting in low quality) and are more labor intensive. For the most part only the larger firms are exporting, while the smaller are providing for the domestic market and sometimes subcontract to the larger firms.
- Market access appears to be the major constraint to growth throughout the identified sectors. Except for textile, the sectors lack information necessary to develop US markets. There is a lack of marketing events that could promote communications between producers and potential buyers. Related to this is the difficulty of travel to and from both countries, mainly related to obtaining visas. To further complicate the market access issue, the general view is that Pakistani products are considered to be of inferior quality by US buyers and consumers.
- Almost everyone contacted voiced the opinion that tariff relief should not be the only feature of the ROZ initiative and that other incentives should be offered. Some main incentives suggested were: assistance in finding markets, upgrading of infrastructure, assistance with skills and technology upgrading, and low or no interest loans. Of these, assistance with locating markets seemed to be at the top of the list. Even some of those producing low or no tariff items stated that they would consider producing in ROZs if only to get help in linking with US markets.
- Many agree that Pakistan has some excellent raw materials; superior marble/granite, high quality of a wide variety of gems, and world famous rosewood. But attention needs to be given to issues related to these raw materials. For example; the dire need to promote more efficient means of extraction for the marble/granite and gems, and addressing the serious issue of wood depletion through effective re-planting programs.

2.3.3 Step 3: Tariff Analysis

The resulting short-list of products identified as part of the above industrial capacity assessment (textile, apparel, home textile, wood furniture, marble, carpets, gems and jewelry and leather) represents those in which the ROZ territories may have some export potential. These are products in which Pakistan can demonstrate a comparative advantage in world markets and that already are or can be competitively produced in the ROZ territories, as well as some product categories, such as marble and granite, that are indigenous to one or more of the ROZ territories and demonstrate some potential for export to the U.S. market.

For those products that are not currently indigenous to the ROZ territories, i.e. that would require expansion or relocation from other areas of Pakistan or new greenfield investment from other countries, the potential for them to do so will largely depend on the incentive offered through the ROZ program. The products that are most likely to take immediate or near-term advantage of the ROZ program are those for which the duty advantage is the greatest. The elimination of current U.S. MFN tariff rates would be the primary incentive to be offered by the ROZs.

Discussions and surveys with industries in the ROZ eligible border areas indicated that the “location disadvantage” of operating there versus more favorable locations within Pakistan, such as Karachi or Lahore, amounts to 15 to 20 percent of the value of the product—the cumulative cost disadvantages of operating in the ROZ territories, including the additional transport costs, infrastructure weaknesses, and other factors. Since there is an inherent tendency for industries to “overestimate” the disadvantage, we utilize a more conservative response (15% margin) as guidance. We therefore assume products facing MFN tariff rates equal to or above 15% as providing the most potential of the ROZ program to Pakistan. However, it also assumes exporters that are already located in the frontier areas, such as textile and marble despite the logistical and other disadvantages may be encouraged to expand ROZ exports with a tariff preference of less than 15%.²⁰ Therefore, the attractiveness of tariff preferences may depend on the nature of the industry and other competitiveness factors. Hence, a 15% tariff preference may not provide sufficient incentive for all industries to invest or relocate in ROZ areas.

The Figure 7 provides a summary of the number of HTS 8-digit products, falling under the short list of industries and sectors identified above, their tariff levels classified into four bands: 15% and above, 10% to 14.99%, 0.1% to 9.9%, and duty-free items, highlighting items in which Pakistan already has a revealed comparative advantage and those products that, while they do not currently have high RCAs, are indigenous to the ROZ territories and, based on the industry analysis, have demonstrated potential (see complete list in the Appendix).

Figure 7. Pakistan: Tariff incentive under ROZs (at HTS 8-digit)

Priority Sectors and industries	Number of HTS products	Tariff 15% or >	Tariff 10% to 14.99%	Tariff 0.1% to 9.9%	Duty Free
Marble & Granite	6 (4)	Nil	Nil	5 (2)	1
Wooden furniture	12 (0)	Nil	Nil	10 (0)	2
Gems & Jewellery	20 (10)	Nil	5	10 (8)	5
Leather	87 (63)	6 (3)	10 (1)	58 (49)	11
Apparel	323 (278)	124 (122)	103 (73)	159 (99)	15
Textile	313 (208)	9 (8)	130 (85)	154 (104)	23
Home textile	80 (79)	2 (2)	19 (19)	48 (48)	9

²⁰ However, success in expanding exports also depends on factors such as quality, reliability and other competitiveness factors.

Reconstruction Opportunity Zones
Pakistan and Afghanistan Assessment of Possible Locations and Products
Contract No. GEG-I-00-04-00004-00

Carpets	29 (27)	Nil	Nil	15 (11)	14
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Source: Author's calculations using data

Note: In parenthesis products with RCA>1.

Within the identified industries, Pakistan exports 146 HTS 8-digit products with MFN rates exceeding 15%, including 120 products in which it has already demonstrated a comparative advantage. While most of these are textiles and apparel products (110), there are a number of leather products with tariffs above 15%, as can be seen from Figure 7. For these products, in particular, the ROZ program could offer a distinct benefit, given the current tariff structure.

Figure 8. Pakistan: Most Promising ROZ based Exports with US Tariff above 10%

Sector	HTS8	BRIEF_DESCRIPTION	MFN Tariff	RCA > 1
Leather	42029290	Bags, cases and similar containers nesi, with outer surface of plastic sheeting or of textile materials, excl. cotton	17.6	X
Leather	42029230	Travel, sports and similar bags with outer surface of textile materials other than of vegetable fibers	17.6	X
Leather	42022280	Handbags with or without shoulder strap or without handle, with outer surface of textile materials, nesi	17.6	
Leather	42023295	Articles of a kind normally carried in the pocket or handbag, with outer surface of textile materials, nesi	17.6	
Leather	42032930	Men's gloves, mittens and mitts of leather or composition leather, nesi, seamed	14	
Leather	42032908	Gloves, wholly of horsehide or cowhide (except calfskin) leather, not specially designed for use in sports, nesi	14	
Leather	42032918	Gloves not wholly of horsehide or cowhide leather not specially designed for use in sports, nesi	14	
Leather	42032915	Gloves not wholly of horsehide or cowhide leather not specially designed for use in sports, with fourchettes or sidewalls	14	
Leather	42032940	Gloves, mittens and mitts of leather or composition leather, nesi, not lined, for persons other than men	12.6	
Leather	42032950	Gloves, mittens and mitts of leather or composition leather, nesi, lined, for persons other than men	12.6	
Leather	42032920	Gloves, mittens and mitts of leather or composition leather, nesi, not seamed	12.6	
Leather	42032905	Gloves, wholly of horsehide or cowhide leather not specially designed for use in sports, with fourchettes or sidewalls	12.6	
Gems & Jewelry	71171990	Imitation jewelry (o/than toy jewelry & rope, curb, cable, chain, etc.), of base metal (wheth. or n/plated w/prec.metal), nesoi	11	
Gems & Jewelry	71179090	Imitation jewelry not of base metal or plastics, nesoi, over 20 cents/dozen pcs or pts	11	
Gems & Jewelry	71031040	Precious stones (o/than diamonds) & semiprecious stones, simply sawn or roughly shaped	10.5	X
Gems & Jewelry	71039950	Precious or semiprecious stones, nesoi, worked, whether or not graded, but n/strung (ex. ungraded temporarily strung), mtd. or set	10.5	
Gems & Jewelry	71162040	Semiprecious stone (except rock crystal) articles (other than jewelry and figurines)	10.5	X
Leather	64041120	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, w/ext. surf. of uppers over 50% leather	10.5	X

Source: Based on US DOC data and Authors RCA calculations.

The industry analysis identified a number of other promising product categories for development under the ROZs, including wood furniture, marble and granite, gems and jewelry and carpets. The RCA analysis indicates that Pakistan is already competitive in some specific products within the carpet, marble and granite, and gems and jewelry sectors. Among these products gems and jewelry such as imitation jewelry, precious and semi-precious stones that have a tariff of between

10% and 11% and that are already operating in ROZ designated areas may have sufficient incentive to export to the U.S. The most promising tariff incentive however, is offered within the sports & athletic footwear category with several products with a tariff above the 30% MFN tariff margin.

However, the ROZs may attract investment from a wider range of products in which Pakistan does not yet have a comparative advantage or may represent niche products that are indigenous to ROZ and are only produced or exported on a smaller scale. While the tariff analysis reveals that most of these products are currently subjected to tariffs below 10%, the fact that many of these are indigenous to the ROZ territories makes them potential beneficiaries, since a lower degree of tariff preference may be sufficient to stimulate the expansion of new exports to the U.S. market. However, those products with very low tariffs (below 10%) such as marble, carpet and wood furniture may need additional competitiveness-enhancing measures and incentives in order export to the U.S. market.

While products in which Pakistan has both a comparative advantage and for which the ROZ would provide a tariff advantage are the most promising products for development within the ROZs, it should be noted that the tariff incentive by itself may not be sufficient incentive to expand ROZ efforts due to other factors that may affect export development. Other supply-side obstacles enter into production decisions and the determination of the trade competitiveness of a given product. Issues like time to market, reliability of producers, standardization of production, quality of management, transportation costs, labor costs, general business environment. All other things equal, tariff preferences convey an advantage, but even this advantage has to be “protected” by a continuous upgrading of competitiveness.

2.4 Rules of Origin--Pakistan

The following analysis is intended to assess the capacity of industries in the ROZ border areas of Pakistan to meet the proposed Rules of Origin criteria. The role of preferential rules of origin is to ensure that only goods originating in participating countries enjoy preferences and goods produced elsewhere are not simply channeled through the ROZs to benefit from duty preferences. Two approaches are often utilized to ensure that benefits are conferred only to the intended country or region. One approach is to use local value-added content as a rule; another approach is to allow preferential treatment for goods that undergo a change in tariff heading. While these rules are not necessarily mutually exclusive the former is more common —therefore the focus is on the former.

The Scope of Work for the ROZ Assessment notes that while the QIZ model requires 35 percent value-added in the territories for duty-free treatment, the ROZ concept should not necessarily be bound to this percentage. Furthermore, it is also assumed for the purposes of this study that similar to the QIZ program, textile and apparel products (HTS Chapters 50 to 63) will be subject to Section 334 of the Uruguay Round Agreement Act, 19 U.S.C. 3592, which, in summary, applies the following rules to textiles and apparel products:

1. The country of origin is the country in which a textile or apparel product is wholly obtained or produced when the product is completely produced or manufactured (except for *de minimus* materials) in one country.
2. For apparel, cutting does not determine the country of origin. The §334 rules are based on processing or assembly operations.

3. Customs' previous interpretation of substantial transformation for origin purposes has been replaced with statutory rules based on processing operations expressed in terms of tariff shifts.
4. Generally fabrics originate in the country where the fabric is formed, however, certain fabrics and articles made from fabric originate in the country in which they are dyed and printed when accompanied by two or more specified finishing operations.
5. Country of origin for textile and apparel products processed, assembled or manufactured in two or more countries is determined by where the most important processing occurs, and, if that cannot be ascertained, the last country in which an important assembly or manufacturing process occurs.

A brief survey was conducted of a cross-section of industries including leather, sportswear, furniture and matches, marble and shoes with the objective of ascertaining (a) the assessed value of the unit of production; (b) the cost or value of materials produced in Pakistan; and (c) the "direct costs of processing" in Pakistan. Together, (b) and (c) comprise the value-added in Pakistan; calculating value-added as a share of (a) suggests the capacity to meet the 35 percent value-added criteria.

The following criteria-standard guidelines as adopted in QIZs are considered in the assessment:

- Based on the QIZ model, it is assumed that to be eligible for duty-free entry into the United States from a ROZ, an imported article must be the growth, product, or manufacture of Afghanistan or Pakistan and that the sum of the cost or value of materials produced in either or both countries, plus the direct costs of processing in either or both countries, must not be less than 35 percent of the appraised value of the article at the time of entry into the United States".
- Materials imported into Afghanistan or Pakistan from third countries may be counted toward the 35 percent value-added requirement provided they are "substantially transformed"²¹ into new and different constituent materials in Afghanistan or Pakistan, which are then used to produce the eligible article".
- In keeping with the objective of fostering Afghanistan-Pakistan cooperation, special emphasis should be placed on products that could be produced jointly by parties in Afghanistan and Pakistan (i.e., through cumulation).

Textiles and apparel industries were also evaluated to ascertain their ability to meet the relevant rules of origin per Section 334 of the Uruguay Round Agreement Act, 19 U.S.C. 3592.

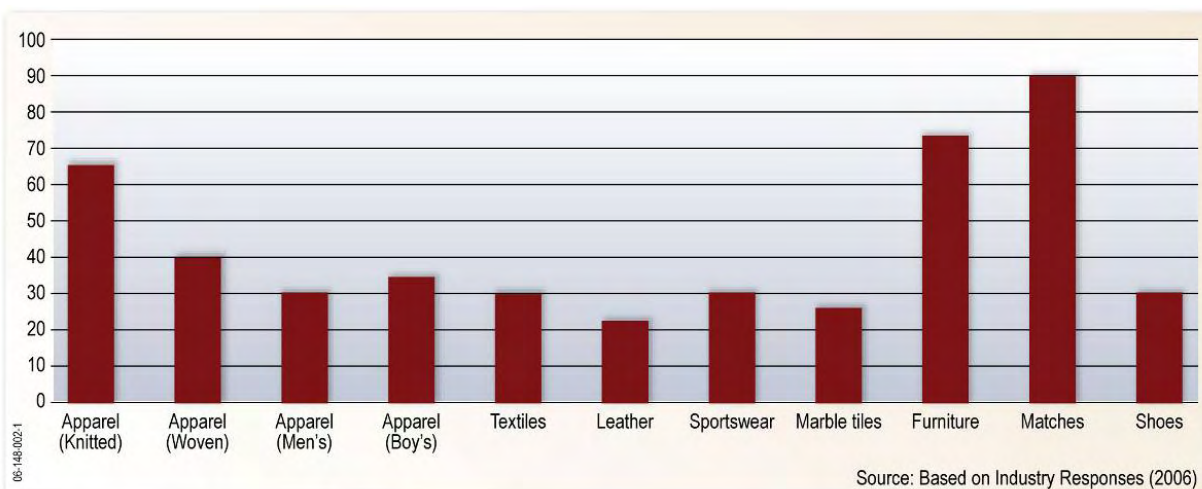
Capacity of Potential ROZ Enterprises to Meet the Proposed Rules of Origin

Presented below in Figure 9 is an illustration of value-added for the cross-section of firms consulted in the ROZ border areas of Pakistan, as a percentage of the assessed value. It appears that three key industries—leather, marble, and canvass shoes—do not meet the 35 percent threshold of the rules of origin, despite leather and marble having a domestic raw material base. However, marble could qualify as 'wholly originating' product. Though both the raw materials for marble and leather goods are sourced in Pakistan, the high profit margin, which is not included as part of value-added for purposes of rules of origin, results in low value-addition when taken as a share

²¹ Examples of a substantial transformation include making orange juice concentrate from oranges and other ingredients, and assembling a large number of components onto a printed circuit board.

of the assessed value of the good. In leather, it is unlikely that any inputs from Afghanistan, such as dyes and chemicals and other compounds importable from the world, can be sourced from Afghanistan to reach a cumulative value-added above the 35% threshold. While there is potential for some production-sharing in the marble sector—Pakistan industries indicated a strong interest in sourcing raw marble blocks, especially white marble, from Afghanistan—it is not clear that even the cumulative value-added would reach the 35 percent threshold.

Figure 9. Value Added in Selected Industries (As a percentage of Appraised Value)



The survey results also indicate that both furniture and matches have the direct capacity for exceeding the 35 percent value-added, both from downstream tree cultivation (in AJK), logging, transportation and in-factory processing. However, joint production with Afghanistan for either of these industries is remote given that the raw materials are already sourced directly in Pakistan.

Unofficially, carpet exports from Pakistan are already under joint production with Afghanistan, especially carpets made of wool. The earlier industry location decisions of Afghan carpet manufacturers to migrate to keep moving to Pakistan is a consequence of a number of factors including the warfare of past decades, trade and transit logistics, lack of electric power, ancillary industry and a host of other factors that disadvantage Afghanistan production compared to Pakistan. A uniform “rules of origin” on either side of the border would tilt the balance in favor of Pakistan due to its inherent logistical, infrastructure, and security advantages over Afghanistan.

In the textiles and apparel sectors, the findings suggest that most existing exporters would have little difficulty in meeting either the criteria to qualify as wholly obtained/produced or as new products based on a shift in tariff headings. Much of Pakistan’s textile and apparel sector is vertically integrated, ensuring that such criteria can be met. While the ROZ’s geographical delimitations may make it more difficult for some exporters to qualify, it is not expected to be major hurdle for those with an existing capacity for export.

2.5 ADS 225: Pakistan: Assessment of the Impact on U.S. Jobs and International Worker Rights

This section provides a review to identify if there are any issues that need to be considered by USAID when proposing any technical assistance to Pakistan’s ROZs. ADS 225, which establishes the policies and procedures to restrict foreign assistance that would lead to a loss of

U.S. jobs or violate certain “internationally recognized” workers’ rights, contains program design and implementation procedures to ensure that USAID-funded “trade and investment” activities do not:

- Provide financial incentives and other assistance for U.S. companies to relocate abroad if it is likely to result in the loss of U.S. jobs; or
- Contribute to violations of internationally recognized workers’ rights defined in 19 U.S.C. 2467(4).

If there is no reasonable likelihood that relocation or violation of workers’ rights could take place as a result of the ROZ activity, then USAID can fund the activity. If, in analyzing these factors, the conclusion is reached that the activity may result in the relocation of a U.S. business and loss of U.S. jobs and/or the violation of workers’ rights, then USAID cannot fund the activity unless it can modify the design or implementation activity to eliminate any likelihood that a relocation or violation of workers’ rights would take place.

Methodology

The methodology applied here is based on the guidelines provided by ADS 225. In conducting the analytical review required to determine the potential impact on U.S. jobs, the following two questions must be answered:

- Is the activity directed at promoting either foreign direct or local investment in the recipient country?
- Could the activity reasonably be foreseen to stimulate the relocation of any U.S. business that would result in a reduction in the number of employees of the business in the U.S.?

Notwithstanding the results of the above, USAID may also not obligate or expend funds for activities that contribute to the violation of internationally recognized workers’ rights as defined in 19 U.S.C. 2467(4).²² The Table 7 below highlights summary findings of the three criteria adopted to assess the impact on U.S. Jobs and Worker Rights, defined in response to the above, (See Appendix for details)

Figure 10. ADS 225 Evaluation Matrix: Pakistan

Criteria	Findings
Is Pakistan an attractive investment destination for U.S. firms, in general?	There is no reasonable likelihood that a relocation of U.S. jobs could take place within the context of ROZs. The frontier areas of Pakistan an unattractive investment location for U.S. companies. This is primarily due the poor security situation, lack of property rights, high cost of basic utilities such as electricity and water, and the geographic distance from the U.S.
Are the types of product sectors targeted under the ROZs likely candidates for relocation from the United States?	Scale of U.S. industry and market are such that any ROZ based activities could not reasonably be expected to affect U.S. product prices. ROZ based exports are most likely to replace the exports from competitor countries such as Sri Lanka, China, Bangladesh (leading cotton based apparel exporters) and even factories in Karachi and Lahore

²² The “internationally recognized workers’ rights” are: a) The right of association; b) The right to organize and bargain collectively; c) A prohibition on the use of any form of forced or compulsory labor; d) A minimum age for the employment of children; and e) Acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health. The last two workers’ rights may be applied commensurate with the development of the country, and the fact that they may be affected does not preclude an activity in the informal sector, micro and small-scale enterprise, and smallholder agriculture.

Reconstruction Opportunity Zones
Pakistan and Afghanistan Assessment of Possible Locations and Products
Contract No. GEG-I-00-04-00004-00

Criteria	Findings
Would employment-related activities that are likely to be associated with the ROZ's result in a violation of the above workers' rights?	The current Pakistani legislative framework "relieves" certain enterprises from respecting internationally recognized workers' rights, including those located in EPZs. The Essential Services Maintenance Act does not currently accommodate conventions for a) forming or joining unions; or b) enable collective bargaining in the EPZs. The government has adopted laws and promulgated policies to protect children from exploitation in the workplace; however, enforcement of child labor laws is lax. Pakistan would need to adopt appropriate legislation and enforcement mechanism to protect these workers' rights.

Chapter 3. Afghanistan Assessment

3.1 Country Overview

Afghanistan faces significant challenges in developing its exports. Twenty-five years of civil conflict, war, occupation and political and social instability have caused Afghanistan to become isolated from international markets. In the early 1970s, Afghanistan was the world's largest exporter of raisins and a significant exporter of other agricultural products, animal products and handicrafts and the country is slowly rebuilding its agricultural and industrial base.²³

The International Monetary Fund estimates that official (non-opium) gross domestic product (GDP) growth averaged 22.5 percent per year between 2002 and 2004. It estimates annual growth in 2004-05 at around 7.5 percent and predicts 14 percent growth in 2005-06. Investment is high and accounts for nearly 22 percent of GDP; however, the bulk of this investment (90 percent by some estimates) is public investment financed through international aid.

In addition to having lost contact with markets and customers in Europe and North America, Afghanistan's trade and investment institutions have lost most of their skilled and trained people to conflict and emigration. Financial resources are almost non-existent, while basic tools such as telephones, computers and Internet are scarce in Kabul and almost entirely absent in other areas of the country. Electric power is both unavailable in most parts of the country and where it is available it is rarely adequate for modern industrial production.

Private investment, both domestic and foreign, is essential to rebuilding Afghanistan's export capacity. Efforts aimed at export development must therefore also focus on rebuilding the country's productive capacity by stimulating the flows of capital, technology and market access that investment can provide.

Afghanistan's exports have traditionally been dominated by agricultural products and handicrafts. In 1966, dried fruits and nuts accounted for 25% of exports; cotton and animal skins 18%; and carpets and rugs 12%. In 2001, fresh and dried fruits comprised 23% of Afghan domestic exports; animal skins and related products 14%; and, carpets and rugs 18%.²⁴

Though the rate of foreign investment and the return of expatriate Afghan investors may be disappointing, existing local firms are steadily adding to their capital stock. Nearly 70 percent of the surveyed firms reported investing in new equipment or machinery sometime in the past year. This is a much higher rate than found in postwar Mozambique where only about 56 percent of firms invested in the year.²⁵

3.2 Location Assessment

Introduction

The study team examined potential locations for ROZ enterprise activity by focusing on existing economic centers that may support ROZ activity and on the main trade corridors along which the landlocked study area has access to the U.S. export market. These potential locations were then

²³ Investment Climate in Afghanistan, World Bank, Dec 2005

²⁴ Export Development And Promotion In Afghanistan, The Services Group, May 2003

²⁵ Investment Climate in Afghanistan, World Bank, Dec 2005

examined based on available infrastructure and available labor pools. After developing a standardized description of potential sites they were ranked based on a qualitative composite index and prioritized for their suitability as ROZ pilot sites based on their near-term development potential.

The ROZ Eligible Areas. In the case of Afghanistan the entire country has been identified in the Scope of Work as potentially eligible for a ROZ.²⁶

Map 8. ROZ Eligible Areas in Afghanistan



Interviews. An extensive interview process was used to obtain input and advice from governmental and business leaders. Those interviewed are listed in the Appendix. Over 120 interviews were conducted covering a broad range of government and business sectors. The following groups were interviewed:

- *Working level officials in government of Afghanistan.* Interviews were held with representatives of the Ministry of Commerce and Trade, Ministry of Agriculture, Ministry of Planning, and the Ministry of Finance.
- Provincial and municipal level officials in each of the territories.
- World Bank and other donor projects working on private sector development to obtain their recommendations regarding potential locations.
- *Private sector businesses and industrial groups* such as chambers of industries and commerce to gather data and other factual information directly relevant to assessing the feasibility of possible locations.

²⁶ See Scope of Work in Appendix

Evaluation Criteria. The criteria used for the location assessment include:

- 1. Access to transportation.** Access to an adequate transportation network is one of the most basis requirements of business. The cost and adequacy of roads, airports and train systems were included in this assessment.
- 2. Electric power.** The cost of both grid power and self-generated electric power are factored into this assessment.
- 3. Labor Availability.** The availability of skilled labor (particularly in the border areas) is of particular concern to business.
- 4. Security.** Security of both personnel and property is of growing concern in the border areas and has a major impact on the location choice of business.
- 5. Access to Finance.** This factor was considered but it has little variation based on location. The type of industry has more of an influence on access to finance and this will be further discussed in the following chapter.
- 6. Land Title.** The ability to obtain clear title or enforceable leaseholds is a central concern for businesses making long-term investment decisions.
- 7. Existing Production Capability.** This factor is used as an indicator for the potential expansion of industrial activity in an area.
- 8. Existing and planned infrastructure.** In many cases this factor overlaps with the transportation and electric power factors however it may also include items of social infrastructure and employment training facilities.
- 9. Water availability.** Depending on the type of industry the availability of water may be a major location decision factor.
- 10. Availability of Natural Resources.** The availability of natural resources is assessed at two levels. The first is whether a particular location has available resources that might be exploitable for export purposes. The second is the location of an area relative to other natural resources that might need to be imported to the area for production. This second aspect will be further discussed in the section on industrial capacity.

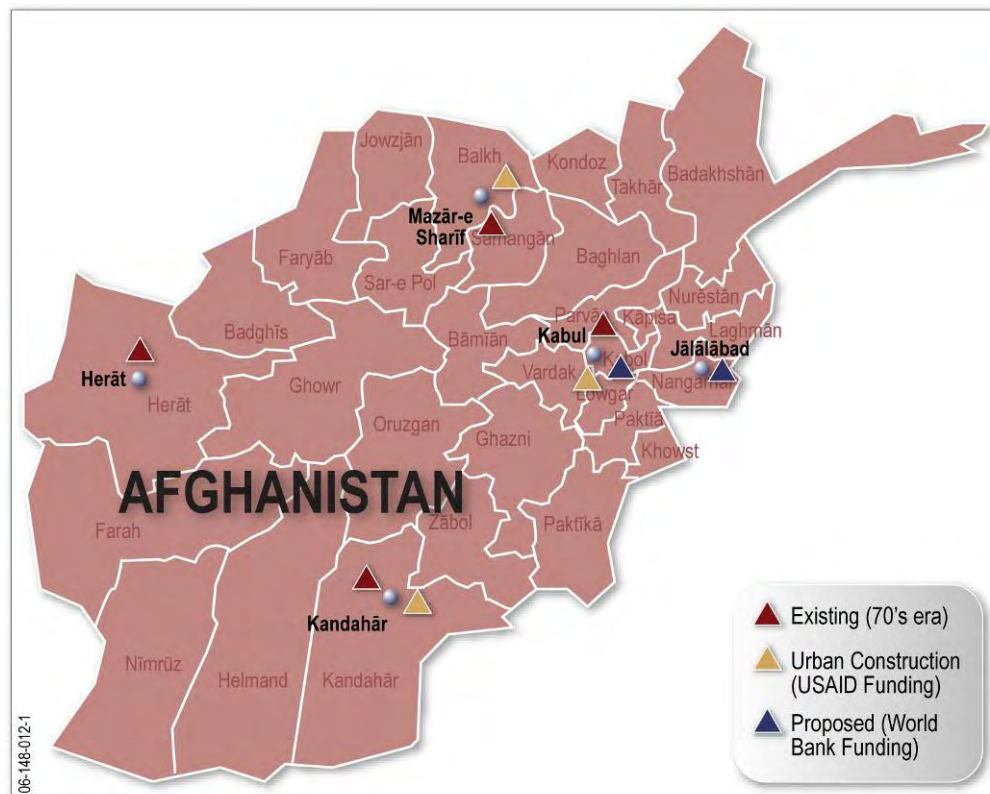
Industrial Estates

The existing industrial estates were used as an indicator of the industrial development potential of a particular area. However, the decision to locate a ROZ in a particular site should be based upon private sector decisions to locate in specific industrial estates. It is important to note that in Afghanistan there are two types of industrial estates. The first consists of those historically owned and operated by the former Ministry of Light Industry. Today these historical industrial estates are under the joint responsibility of the Ministry of Mines (formerly Mines and Industry) and the Ministry of Commerce. These older industrial estates were established in the mid to late 1970s and were generally ravaged during the war years. However they continue to function and many businesses are building production facilities in these older parks despite the fact that they are poorly managed and in most cases provide little more than raw land.

The second category of industrial estates is under the supervision of the Afghan Investment Support Agency (AISA) and have either been built in the past 2 years or are now in the planning stages. The initial parks in Kabul (Bagrami), Mazar e Sharif, and Kandahar were funded by USAID and subsequent parks at Kamari near Kabul and Hesar I Shahi near Jalalabad are being funded by the World Bank. The principle objective of these parks is to provide modern

infrastructure, reliable power supply and clear land title. The following is a brief summary of the status of each park.

Map 9. Afghanistan Industrial Estates



For the purposes of this assessment the focus will be exclusively on the AISA sponsored industrial parks. The older parks may have potential for ROZs over time, but that would require significant infrastructure upgrading and a new management structure.

Kabul Industrial Estates

Bagrami Industrial Estate. The current phase of Bagrami Industrial Estate is devoted to companies focused on the domestic market. However there is a second phase planned that could be oriented to exports. The Estate is located 7.5 km south east of downtown Kabul. The first phase of the estate is 9 ha (22 acres) gross and 7.6 ha net (19 acres) and creates a model industrial estate with 24 hour power supply, high quality road, sewer and water infrastructure, and professional management. The second phase consists of 11 ha, for about 34 additional plots. The second phase is pending funding.

Adjacent to the Bagrami IE is the now obsolete Bagrami Textile Works, where 9 buildings adding up to 13,000 sq m (140,000 sq ft) are being selectively refurbished to house small enterprises.

Kamari Industrial Estate (Proposed) is located 13 km southeast of central Kabul and about 6 km from Bagrami east down the Old Jalalabad Highway. The total site area is 200 ha, however the first phase to be funded by the World Bank will be only 75 ha. The marketing plan for the first phase of the Estate is primarily focused on import substitution with the exception of carpet weaving and production. AISA has also indicated that it might add leather goods to the mix.

Industrial Estates in Other Cities to be Funded by the World Bank

Hesar i Shahi (Jalalabad) Industrial Estate (Proposed). Located in Hisar-e-Shahi camp, 25 Km South-East of Jalalabad city on the road to Torkam on the Pakistan/Afghan border. The total area set aside for the Estate is 700 ha, however the first phase to be funded by the World Bank will be only 75 ha. The marketing plan for the Estate is currently focused on import substitution with the exception of carpets. The climate and water availability in this area is particularly well suited to the cutting and washing aspects of the carpet production process.

Mazar e Sharif Industrial Estate. Although Mazar e Sharif is not included as one of the early or short-term ROZ focus areas for this assessment it has potential as a ROZ location over time. The industrial park located established by AISA with funding by USAID could serve as the foundation for an export ROZ. The Mazar e Sharif Industrial Park is located 20 km east of the city center, and about 10 km from the airport. The site is 25 ha with a total of 56 plots. Construction was delayed due to a land dispute at the initially selected site but a new site was selected and the Estate is now about 50% complete. 140 applications were received for the plots and have been referred to AISA for evaluation and final selection. Expansion of the Park is anticipated and AISA is in negotiations with the Governor of the Region to obtain additional land.

Note on the World Bank Funding. The World Bank funding commitment for Kamari and Hisar i Shahi is currently estimated at \$25 m which include \$3 m for AISA capacity building. The timing of construction is as follows:

- | | |
|--------------|------------------------------|
| ▪ 15 Oct 06 | Final design completed |
| ▪ Nov 06 | Submit loan package to Board |
| ▪ Dec 06 | Tender documents prepared |
| ▪ Dec 06 | Board approval |
| ▪ Jan-Mar 07 | Tender process |
| ▪ Apr 07 | Construction start |
| ▪ Apr 09 | Construction complete |

The Kamari and Hisar i Shahi Industrial Estates provide an potential platform for the ROZ program. The timing for the completion of these two Estates is excellent relative to the planned power and road infrastructure development program. By 2009 the power line from the central Asian republics will be in place and the majority of the major road infrastructure will be complete.

The Location Assessment

Based on the interviews and a review of the locational factors, two potential areas will be used for the purposes of describing the ROZ potential of Afghanistan. As mentioned earlier, all of Afghanistan has been identified for potential ROZs and it is not the purpose of this study to limit future development of ROZs in Afghanistan. However, given the near-term security and logistical factors, Kabul and Jalalabad provide logical places to focus near-term ROZ activity. The methodology presented below could be used for evaluating additional locations as the program matures and evolves.

Access to Transportation

Airport Facilities. Both Kabul and Jalalabad have direct access to a newly constructed two-lane highway linking them to Pakistan and the Karachi port to the south. The only distinguishing difference between the two locations in this regard is the relative distance: Kabul is 150 km northwest of Jalalabad. This fact is captured in the weighting for access to the port: Jalalabad receives a slightly higher rating than Kabul because of the shorter distance to the Karachi port. The principle difference between the two locations is the airport access factor. Kabul has a full service international airport whereas Jalalabad has a small local airport with all flights connecting through Kabul.

Map 10. Focus Locations in Afghanistan

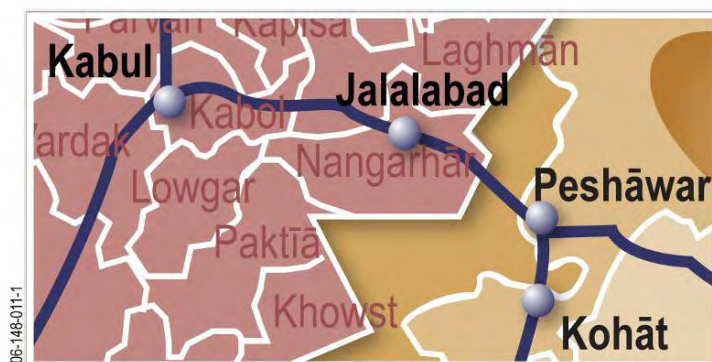


Figure 11. Airports

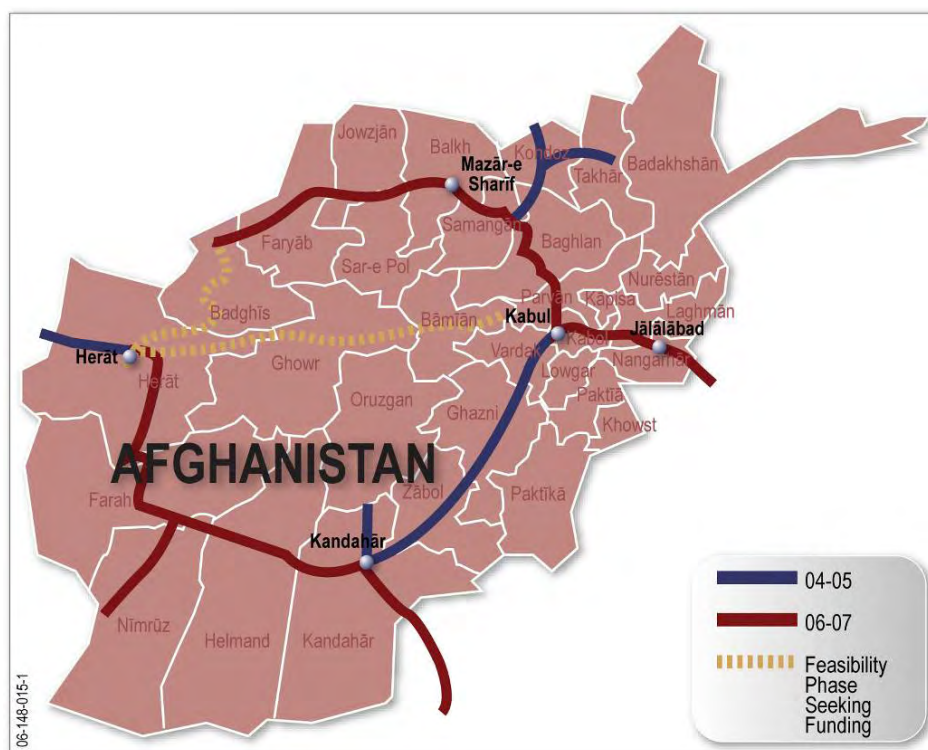
Airport	Number Runways	Length (m)	Airlines
Kabul	1	3,318	Ariana, Azerbaijan, Kam Air, Pakistan, Air Arabia, Indian Air
Jalalabad	1	2,218	
Peshawar	1	2,743	Aero Asia, Emirates, Ethiad, Airblue, Qatar, Gulf, Kuwait, Pakistan Int'l, Shaheen

Figure 12. Distance to Karachi Port

City	Distance to Karachi -Port (km)
Kabul	1,611
Jalalabad	1,411
Peshawar	1,300

Highways. As illustrated by Map 11 the national highway system is undergoing a major improvement campaign. By 2009 paved access will be available from the Tajikistan in the north to Pakistan in the east and south and Iran on west. At that point in time the issue will be more one of relative cost than access to the road network itself.

Map 11. Proposed Road Network Improvements



Electric Power

Figure 13. Power Cost Comparison for Commercial Users--Afghanistan and Pakistan

Source	Afg	Pak
Grid	\$0.12	\$0.071
Diesel Generator	\$0.25	\$0.149
Gas Turbine Genset	Na	\$0.070

According to the World Bank survey one of the two most serious constraints to business development in Afghanistan is the lack of electricity (access to land is the other). Over 64 percent of the surveyed enterprises cited electricity as either a severe or major obstacle to doing business in Afghanistan. In general power supply is of poor quality, characterized by low voltage, intermittent supply, and blackouts. Among those companies connected to the grid the average service is less than six and a half hours a day in Kabul and in Jalalabad service is less than 3 hours a day. However, even for companies connected to the grid most rely on diesel generated power for their production activities and only use the grid for non-essential purposes such as lighting. According to the World Bank survey, 74 percent of all businesses reported owning at least one generator and in Jalalabad the figure is 97 percent.²⁷

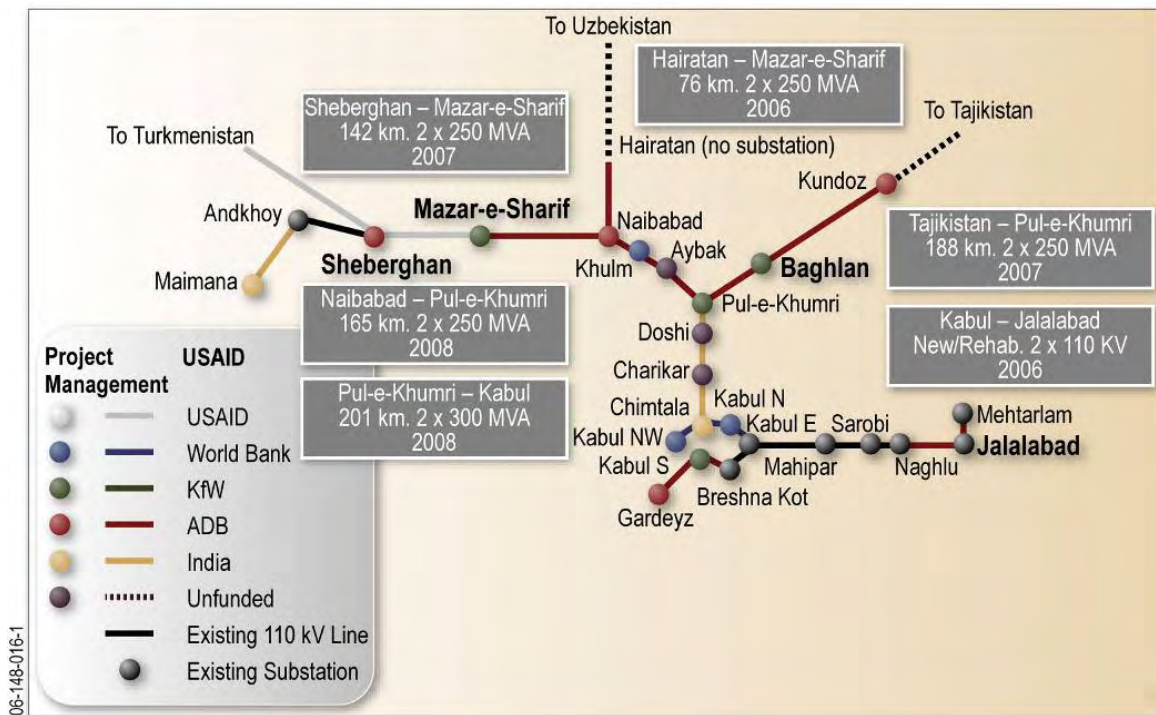
However, as Figure 13 illustrates the use of diesel generated power is a costly alternative--in both Afghanistan and Pakistan it costs twice as much compared to the cost of grid power. What is interesting to note is that in Pakistan a gas turbine powered generator costs about the same per

²⁷ Investment Climate Report. World Bank. 2006

KWH as grid power. As gas sources are exploited in Afghanistan this may become an alternative to current use of diesel.

Planned Power Grid Improvements. Of the country's installed power generation capacity of 420MW, only 270MW is operational; moreover, transmission and distribution capacity are inadequate. However, with the international help highlighted in Map 12 the main power grid connecting Kabul to the power supplying countries to the north should be in place by early 2009.

Map 12 Planned Improvements to the Power Grid



Source: USAID

Labor Capabilities Relevant To Manufacturing

Only 11% of the rural population and 34% of the urban population are literate. The ability to attract skilled labor continues to be a major challenge of Afghan businesses: 62% of businesses in the IRC survey stated that they required additional employees--40% of the demand was for skilled labor and 22% for unskilled.²⁸

High illiteracy, poor education, war, and political upheaval have resulted in a critical shortage of skilled labor in Afghanistan. During the conflict many of Afghanistan's best qualified workers, those who found opportunities abroad, fled Afghanistan. Consequently, qualified management, skilled technicians, and educated professionals are scarcely available to today's enterprises. The problem is exacerbated by the barriers to educating girls and employing women in most jobs outside the home. Afghanistan is caught in a trap. The lack of opportunities discourages workers from improving their skills and education. But the lack of employment opportunities is partly caused by investors not wanting to expand because of the lack of skilled labor. Only a small

²⁸ Labor Market Survey. International Rescue Committee. September 2003

fraction-(5 percent) of Afghan firms-offer training. Only about one-third of the workforce in Afghan enterprises has a secondary education or higher. Sixty two percent of Afghan managers have secondary or higher education compared with 96 and 98 percent in Pakistan and India respectively. The shortage of skilled labor helps explain the low productivity of Afghan firms. Unless this shortage is solved, Afghan firms will find it very difficult to compete against imports or on the export market. The situation in government is similar. Though some returning Afghans have brought with them significant technical skills, the majority of the civil service lacks training, skills, and education to effectively provide services.²⁹

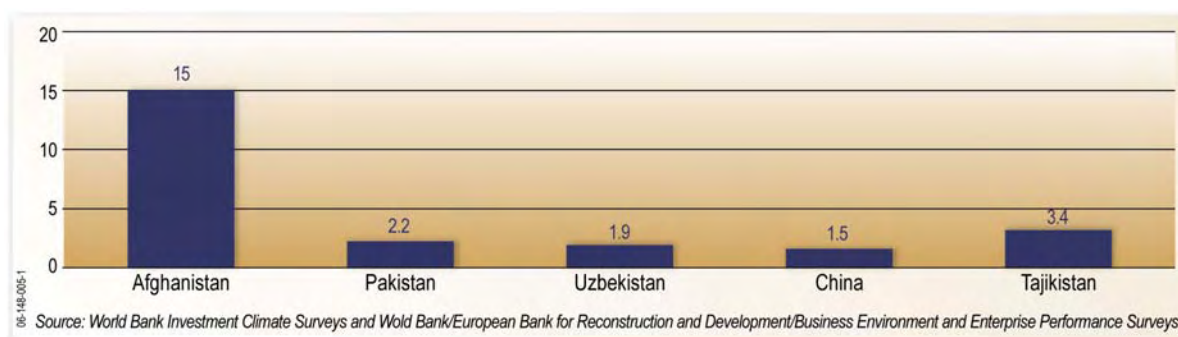
Security

Security remains one of the most significant impediments to international investment in Afghanistan. However, the World Bank survey found that few local firms reported security as major impediment compared to other factors such as electricity, access to land and access to finance. This is probably due to fact that local businesses have either made arrangements to cope with the security issue or just live with the fact of it because they have no real alternative. However, new entrants and potential investors who do not have established contacts with powerful local figures find the environment much more daunting and are often discouraged from investing³⁰.

According to business people interviewed by the ROZ team, a new security threat is emerging--economically motivated kidnappings. No solid statistics seem to exist on this new phenomenon but according to business leaders there were 10 to 12 such kidnappings in the previous month.

From a business perspective all of these security threats represent an additional cost of doing business. More guards have to be hired, more vehicles are required, radio and scanning equipment must be purchased and maintained, etc--all adding to the cost of production. Figure 14 is the cost estimate prepared by the World Bank for security costs across different countries, and shows Afghanistan as having the most security costs of Asia countries.

Figure 14. Security Costs as a Percentage of Sales



Source: World Bank Investment Climate Surveys and World Bank/European Bank for Reconstruction and Development/Business Environment and Enterprise Performance Surveys.

Access to Finance

Afghanistan's financial system is just beginning to recover and businesses have almost no access to bank credit and only limited access to banking services generally. Most of the 12 commercial

²⁹ Investment Climate Report. World Bank. 2006

³⁰ ibid

banks licensed to operate in Afghanistan are concentrated in Kabul and provide services primarily to international donors and businesses, foreign nongovernmental organizations, and foreign government agencies. Commercial banks in Afghanistan offer financing with a maximum tenure of financing of up to three years. There are a small number of nonbank financial institutions (11 microfinance institutions, one credit union, and one leasing company), while growing, they are still nascent and can meet only a very small fraction of credit needs. There are no credit bureaus or credit rating agencies. Only three firms in the survey reported having bank credit. The informal financial sector credit is not adequate for long-term private sector development. There is a pressing need for bank and non-bank financial institutions to provide viable alternatives to the informal sector. Low household savings, poor infrastructure, low integration with complementary markets, high costs of service provision (particularly in rural areas), poor registries, and lack of credit information, a secured transaction law, and insurance are the main factors constraining the growth of the formal financial sector.³¹

Land Title

Land title and the availability of land with clear title is a central concern of business in Afghanistan. According to the World Bank Survey nearly 56 percent of the surveyed firms who had tried to acquire new land in the past three years were unsuccessful and more than 10 percent reported having ongoing land disputes. The AISA industrial estates are an attempt to overcome this obstacle by using publicly owned land and transferring it directly to the end user. However even in that situation there is lack of clarity on the land title issue. The following is the scenario by which AISA acquires and sells land.

- After an agreement is reached between all involved institutions, a Presidential Decree allocates the land to AISA. This Decree is acceptable to the Court as a legal base to issue a title deed (Qabala.) Only the Courts have the right to issue a Qabala.
- AISA is authorized sells parcels in Industrial Parks to the private sector through a sales contract. A typical contract contains 60 articles that define the conditions of sale including:
 - The buyer has to pay the sales contract in four years. If it is not paid, the buyer cannot claim ownership of the parcel;
 - The buyer has to make its investment operational within four years.
 - In case of failure, the buyer cannot claim the ownership and the parcel will be returned to the ownership of AISA;
 - Only when all of the obligations under the contract are fulfilled can the buyer receive a certificate of property, which is accepted by the Court to issue a title deeds (Qabala);

Although this procedure has been established no deeds have yet been issued. AISA sells the land on 4 year installment contracts and only once the contract is paid off can the title be transferred. The Presidential Decree is the basis upon which the courts can issue the formal deed (Qabala). AISA must go to the court and receive a title deed based on the Decree and then transfer the title deed (Qabala) to the buyer.

Foreign persons cannot own land in Afghanistan and there is very little political will to open up land ownership to foreigners. Although this is another area of the law that is yet unclear, it appears that if a domestic corporation is less than 50% foreign owned the corporation can own

³¹ ibid

land--if the foreign ownership is greater than 50% then the corporation must lease the land. The maximum term of the lease is 50 years with a renewal option. However, there is no system for recording leases.

Many privately owned properties have changed hands numerous times and many plots of land are not registered and even if they were, records have been destroyed or are now inaccessible. Multiple claims are common and dispute resolution is difficult, especially given the overlapping, inconsistent, and ambiguous legal systems and ineffective judiciary. The lack of certainty in land tenure discourages existing business from making large new investments and effectively prohibits new investors, especially foreign investors, from entering the market³².

Existing Production Capacity

Although Afghanistan is making significant progress in rebuilding its industrial capacity, almost all of it is focused on the domestic market. Export oriented production of manufactured good is limited to a handful of companies.

Existing or Future Planned Infrastructure

As discussed in previous sections the goal of USAID, other donors, and the GOA is to provide infrastructure sufficient to initiate sustainable, long-term private-sector led growth, and to enhance Afghanistan's role as a "land bridge" for regional trade. The current strategy includes:

- Power is a current priority: USAID is taking the lead in working in the donor community rehabilitate the north and south transmission grids that will bring power availability to 40% of the population by 2010; increasing generation capacity from the current 200 MW to 1200 MW by 2010; Sheberghan gas-fired power plant construction launched in 2006; refurbishment of two hydro-power units at Kajakai and Darunta dams continues; and complete several large transmission line projects by 2008.
- Roads are still important: Kandahar- Herat section of the Ring Road to be finished in 2006; work continues to complete secondary roads still under construction; plans for additional priority "land bridge" roads will be funded; work on-going with the GOA and other donors build capacity and develop and implement O&M plans and cost recovery strategies.

Progress to date:

- Roads were a first priority: Kabul-Kandahar section of the Ring Road was completed in 2004 and 326 km of Kandahar- Herat section of the Ring Road is under construction. Also, 815 km of secondary, urban and district center roads are completed or under construction.
- Power: Generators provided to several principal cities; USAID provides fuel to generate half of Kabul's electricity; and the turbine at Kajakai dam has been rehabilitated.

Water

With few exceptions all major industrial users in Afghanistan rely on well water. The average cost of a well is between \$5,000 and \$10,000 dollars and well depths are between 60 and 100 meters.

³² Investment Climate Report, World Bank, 2006

Availability of Natural Resources

Discussed in products section

Location Assessment: Key Findings

Focus Areas. The recommended near-term focus areas for the ROZ program in Afghanistan include the Kabul and Nangrahar (Jalalabad) Provinces. The remaining Provinces of the study area may have potential over time, however these focus areas provide the greatest opportunity for ROZs in the near term.

Timing. The road from Kabul to Torkham on the Afghan-Pakistan border was completed in July of this year. By 2009 all the major roads will be rebuilt and the power line linking Kabul to the Central Asian Republics will be complete. Once these two critical pieces of infrastructure are in place the prospects for Kabul and Nangrahar Provinces will improve dramatically.

Role of the Existing Industrial Parks. In the case of Afghanistan the industrial parks funded by USAID and the World Bank offer a good foundation for the ROZ program. However, these current parks are oriented primarily to import substitution activities and will require either expansion to accommodate ROZ export-oriented activities or a change in marketing focus for potential users in the case of the World Bank funded parks which still are in the design stage.

Designation of ROZ. Given the diversity of location factors and the limited current suitability of the existing industrial parks, the choice of which parks will be utilized should be left to the private sector. In conjunction with the implementation of the ROZ program, private sector representatives from each industry sector should be engaged to identify locations that are most appropriate to their requirements. The process for a potential ROZ designation process is discussed in Chapter 4.

3.3 Product Analysis

3.3.1 Step 1: National Trade Analysis

The primary objective of this section is to identify products within Afghanistan's current export portfolio to the U.S. and to the rest of the world that are most likely to benefit from the ROZ program. While it is recommended that the ROZ program provide a level of access to the U.S. market similar to the existing QIZ program for Jordan and Egypt, it is likely that Afghanistan will reap the most benefits in the products that it already exports competitively to the U.S. or rest of world and/or could produce competitively provided the ROZ.

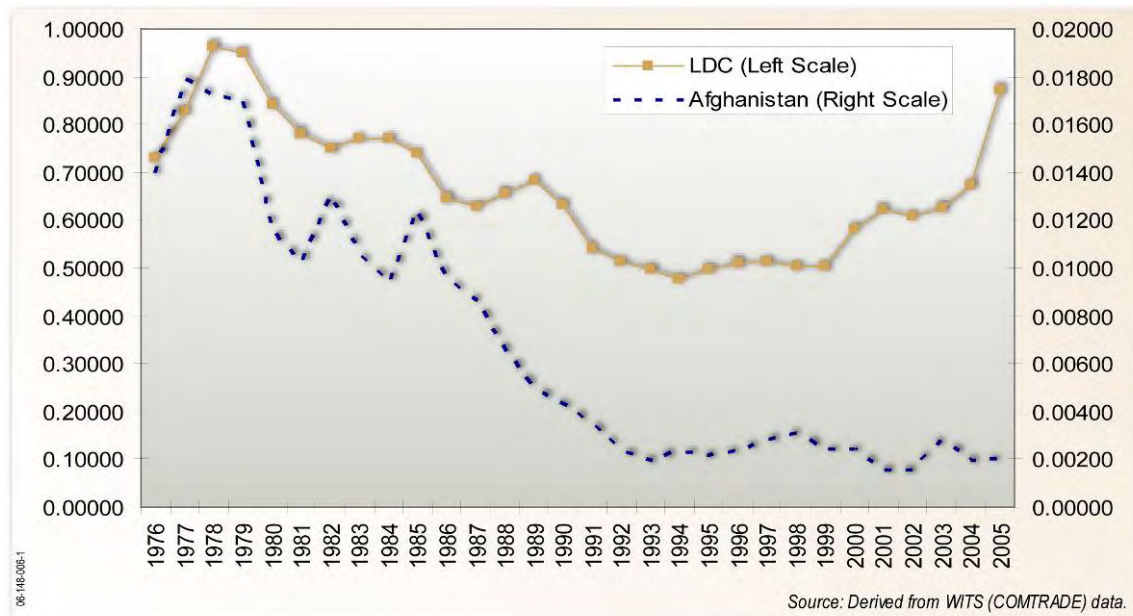
Years of conflict have had a destructive impact on economic institutions, businesses and infrastructure. But signs are emerging that some of these traditional sectors are beginning to revive through new market opportunities in South Asia and the Middle East. Afghanistan's shifting geopolitical relations with its neighbors in the region have also affected trading relationships and import/export routes for commodities.

Historical export trends demonstrate the extent to which Afghanistan's trade has declined compared to other less developed countries as a share of world exports. Figure 15 illustrates that since 1993, Afghanistan's exports account for a meager 0.002 percent of world exports, though it was previously on par with other Least Developed Countries (LDC).³³ Afghanistan has, however,

³³ Based on the United Nations definition there are 50 Least Developed Countries including Afghanistan. See un.org/special-rep/ohrlls/lcd for criteria and definitions and the list of countries.

stabilized the trend towards the late 1990s. Any current efforts to revive Afghanistan exports needs to take account of the realities of Afghanistan's economic institutions, businesses and the infrastructure and the challenge of bringing Afghanistan into parity with other LDCs. The proposed ROZ framework can provide an important impetus to revive Afghanistan's exports and pave the way for integration with the rest of the world.

Figure 15. World Exports from Least Developed Countries



Methodology

The main source of data for assessment of Afghanistan trade is UN Comtrade data and USTR's HTS data. It must be recognized, however, that the Afghan economy is overwhelmingly informal, unrecorded and untaxed by the state, leading to unreliable and incomplete statistical information, which makes it harder to understand what is really happening in the economy and to assess the potential impact of the ROZs. Transit trade adds a further complication to the analysis, as there are numerous products that are recorded as exports that actually originate in third countries. For example, there is a wide array of capital intensive manufacturing products, such as motor vehicles, parts, heavy machinery, data processing and light engineering products that are recorded as formal exports, though our field investigation and published industry data in Afghanistan indicate that no indigenous capacity exists; such exports can, therefore, only be presumed to be transit trade.

In order to "cleanse" the available trade data of transit trade or other trade that is uncharacteristic of Afghanistan based on current industrial capacity, we adopt several steps to arrive at a list of "true" Afghanistan exports that reflects Afghanistan's real capacity for export. In addition, given the unreliability of data reported by Afghanistan, mirror statistics as reported by the U.S. and other trading partners are utilized.

The methodology utilized to identify Afghan products that are most likely to benefit under the proposed ROZs is somewhat different than that adopted for Pakistan. Given the very low level of exports, it is expected that Afghanistan has a revealed comparative advantage in very few products. We, therefore, rely on current export levels as a starting point for analysis.

Taking the above into consideration and using Afghanistan's current exports (2005) to the U.S. and rest of world, the following steps were taken to assess Afghanistan's export potential under the proposed ROZ program: step 1- to "cleanse" Afghanistan's export portfolio of those products that are likely to be transit goods; and step 2- to identify products that are likely to benefit most from the ROZ tariff preference and are significant exports.³⁴

Exports Currently Benefiting from U.S. GSP

At the outset it is relevant to discuss Afghanistan export performance under GSP to highlight its relevance. Afghanistan currently exports 64 8-digit products to the world for which it is eligible for GSP privileges. Together they accounted for 31 percent of Afghanistan's total exports to the world. More than half of this list comprises agricultural products (44 products); the remaining balance of products comprises a wide range of processed goods, including hides, shawls, metals, and semi-precious stones (see Appendix for complete list). However, within this list, Afghanistan exported only 8 HTS products to the U.S., which account for less than 1% of Afghanistan's exports to the world. This may be partly due to a lack of understanding of the GSP procedures and eligibility and product quality, food safety (agriculture) or mere lack of competitiveness. Assuming that GSP benefits may not exist indefinitely it may be of interest to Afghanistan to lock-in products that may be considered potentially competitive under the proposed ROZ. It is also expected that the ROZ regime proposed for Afghanistan will contain more liberal rules of origin regime than GSP, the latter of which imposes quotas on some eligible exports.

The following table provides a summary of Afghanistan's exports under the GSP regime and the current MFN tariff rates. Column 1 reflects Afghanistan's actual exports, from which transit trade has been filtered out. Within this already narrow range of GSP-eligible products, it is expected that only a few would likely benefit from the ROZ. Only 12 of the products within the GSP list are otherwise dutiable at US MFN rates equal to or greater than 10 percent and none has been exported to the U.S. – these are presented in Figure 16.

Figure 16. Exports under GSP List: Number of Products and Share of Total Exports

	No. of Products Exported	Of which US MFN Rate > 10%	US MFN Rate > 0.1%
Number of Products (US and World)	64 (31%)	12 (5%)	75 (16%)
of Which to U.S:	8 (0.5%)	0	8 (0%)

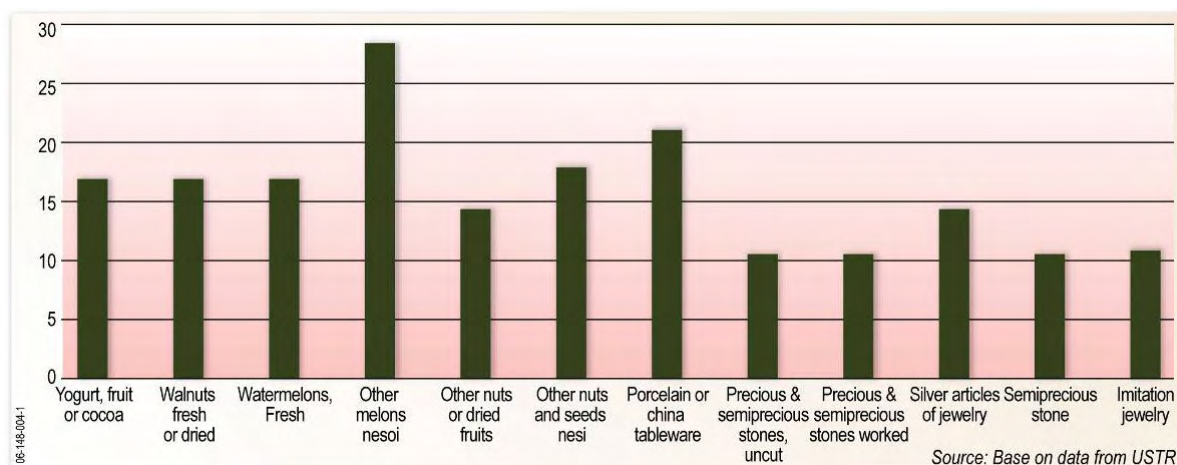
Source: Author's calculations using /Comtrade and MOC data

Notes: Share of total exports is in parenthesis

³⁴ Two filters are used to cleanse the data: *Filter 1*: Assess the regularity/consistency of exports—if an item is not consistently exported over a three-year period (2003-2005) and/or displays an erratic pattern, it is presumed that it is a good in transit and not a direct export of Afghanistan. Such products are eliminated from further analysis.

Filter 2: Assess whether any products have characteristics that are atypical for an LDC, to identify capital intensive or skill intensive items in which Afghanistan is unlikely to have factor advantage in skill level or technology—such products are, likewise, presumed to be transit trade and are also eliminated from further analysis

Figure 17. Selected GSP Products and corresponding MFN Rate



While dried fruits and nuts do not appear to be in the current exports profile of Afghanistan, they may be considered a long-term prospect given sufficient capacity building in food safety and quality. Jewelry, precious and semi-precious stones may have some short-term prospects with adequate support and training. However, the ROZs only become an attractive market access mechanism for these products if, at some point in time, the GSP privileges are not extended to LDCs.

Exports Currently Subjected to U.S. MFN Tariff Rates

This sub-section considers the non-GSP products which Afghanistan has recorded exports to the world and the U.S. After removing irregular exports (transit trade) and those that appear to be capital or machine intensive exports, the data are restricted to: 1) Afghanistan exports that have a positive MFN tariff (above zero), and 2) Afghan exports with at least US\$ 1 million. This yielded a final list of 59 HTS 8-digit products that can be considered 'true' Afghanistan exports that falls under US MFN tariffs (see Table 14 below). These 59 products accounted for 69% of Afghanistan's 'real' exports and consisted of mainly agriculture, textile, apparel, home textiles and mineral and mining based products, which provides the starting point for the ROZ industrial capacity analysis that follows.

Figure 18. Afghanistan Exports in 2005

Product	HTS8	Brief Description	US MFN Tariff	US Imports from Afghanistan (2005)	Afghan Total exports to World ('000' \$)
Fruit & Veg.	07061040	Turnips, fresh or chilled	3.7	0	8.835
Fruit & Veg.	08051000	Oranges, fresh or dried	1.9	0	25.591
Fruit & Veg.	12021080	Peanuts (ground-nuts), not roasted or cooked, in shell,	54.6	0	4.345
Fruit & Veg.	12119090	Plants and parts of plants nesoi, of a kind used in perfumery	1.2	0	129.736
Fruit & Veg.	13019090	Natural gums, resins, gum-resins and oleoresins (e.g., balsams),	0.7	0	4.137
Fruit & Veg.	13021990	Vegetable saps and extracts nesi	0.3	0	13.018
Hides & Leather	39269096	Casing for bicycle derailleur cable; and casing for cable or inner wire	4.3	0	21.417

Reconstruction Opportunity Zones
Pakistan and Afghanistan Assessment of Possible Locations and Products
Contract No. GEG-I-00-04-00004-00

Product	HTS8	Brief Description	US MFN Tariff	US Imports from Afghanistan (2005)	Afghan Total exports to World (000' \$s)
Hides & Leather	42021280	Trunks, suitcases, vanity & attaché cases, occupational luggage	12.4	4.972	11.484
Hides & Leather	42022190	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi,	8.1	0	0.173
Hides & Leather	42022270	Handbags with or w/o shoulder strap or w/o handle, with outer surface containing 85% or more of silk, not braided	9.8	0.552	2.692
Hides & Leather	42029260	Bags, cases and similar containers, nesi, with outer surface of cotton	9.5	0	1.305
Hides & Leather	43013000	Raw skins of sheep or lambs, without wool on, pickled, other than those excluded by note 1(c) to chapter 40	0.4		189.126
Textile & Carpet	51021190	Fine hair of Kashmir (cashmere) goats, processed beyond the degreased or carbonized condition, not carded or combed	4.0		17831.417
Textile & Carpet	51051000	Carded wool	5.3	0	0.972
Textile & Carpet	51061000	Yarn of carded wool, containing 85 percent or more by weight of wool, not put up for retail sale	6.0	0	134.635
Textile & Carpet	54011000	Sewing thread of synthetic filaments, whether or not put up for retail sale	11.4	0	4.437
Textile & Carpet	55131100	Woven fabric of poly staple fiber, < 85% wt poly staple fibers, mixed mainly/solely w/cotton, wt n/o 170 g/m2, plain	14.9	0	23.092
Textile & Carpet	57011013	Carpet & other textile floor covering, hand-knotted/hand-inserted, w/ov 50% wt pile of fine animal hair, foregoing cert. hand-	1.1	1882.775	7117.52
Textile & Carpet	57023110	Wilton, velvet and like floor coverings of pile construction, woven, not tufted or flocked, not made up, of wool or fine animal hair	6.0	1.288	22.607
Textile & Carpet	57023920	Carpets and other textile floor coverings of pile construction, woven, not tufted or flocked, not made up, of other textile materials nesoi	1.8	0	2.917
Textile & Carpet	57029120	Certified hand-loomed & folklore floor covering, woven not on power-driven loom, not of pile construction, made up, of wool or fine	2.6	1.733	7.961
Textile & Carpet	57029915	Carpets and other textile floor coverings, not of pile construction, woven, made up, of cotton, nesoi	5.8	3.8	8.971
Textile & Carpet	57033080	Carpets & other textile floor coverings, tufted, whether or not made up, of man-made textile materials (not nylon/other polyamides),	6.0	0	7.007
Textile & Carpet	57050010	Carpets and other textile floor coverings, whether or not made up, of coir, nesoi	1.7	22.644	109.117
Apparel	61061000	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	19.7	0	0.079
Apparel	61091000	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	16.5	0	0.28
Apparel	61099080	T-shirts, singlets tanktops and sim garments, of text mat (except	14.1	0	0.673
Apparel	61102010	Sweaters, pullovers and similar articles, knitted or crocheted,	10.8	0	6.39

Reconstruction Opportunity Zones
Pakistan and Afghanistan Assessment of Possible Locations and Products
Contract No. GEG-I-00-04-00004-00

Product	HTS8	Brief Description	US MFN Tariff	US Imports from Afghanistan (2005)	Afghan Total exports to World (000' \$s)
Apparel	61179090	Parts of garments or of clothing accessories, containing under 70%	8.5	0	1.306
Apparel	62019220	Men's or boys' anoraks, windbreakers & similar articles nesoi, not	6.7	0	0.21
Apparel	62021210	Women's or girls' overcoats, carcoats, etc, not knitted or crocheted,	6.7	4.2	4.467
Apparel	62034220	Men's or boys' bib and brace overalls, not knitted or crocheted,	9.0	0	0.367
Apparel	62034980	Men's or boys' trousers, bib & brace overalls, breeches & shorts	10.3	0	0.053
Apparel	62044440	Women's or girls' dresses, not knitted or crocheted, of artificial fibers, nesoi	11.9	0	20.165
Apparel	62046335	Women's or girls' trousers, breeches and shorts, not knitted or	11.8	0	0.075
Apparel	62052010	Men's or boys' shirts, not knitted or crocheted, of cotton, certified	14.2	0	46.901
Apparel	62063020	Women's or girls' blouses and shirts, not knitted or crocheted, of	9.3	0	0.055
Apparel	62141020	Shawls, scarves, mufflers, mantillas, veils and the like, not knitted	2.6	0.274	5.073
Apparel	62149000	Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or	11.3	0	0.047
Apparel	62160090	Gloves, mittens and mitts, not knitted or crocheted, of textile	8.7	0	2.907
Apparel	62171095	Made up clothing accessories (excl of heading 6212 or headbands,	10.5	0.44	0.569
Home Textile	63019000	Blankets and traveling rugs, nesoi	7.2	0	1.506
Home Textile	63021000	Bed linen, knitted or crocheted	6.0	0	0.372
Home Textile	63023170	Bed linen, not knit/croc, not printed, of cotton, not cont any	10.8	9	9.573
Home Textile	63026000	Toilet linen and kitchen linen, of terry toweling or similar terry	9.1	0	0.015
Footwear	64029990	Footwear w/outer soles & uppers of rubber or plastics, nesoi, n/cov.	23.0	0	1.939
Footwear	64039975	Footwear w/outer soles of rubber/plastics/comp. leather & uppers of	7.7	0.949	1.038
Footwear	64059090	Footwear, nesoi, w/outer soles and uppers other than of	8.2	0	0.624
Mineral	68042260	Millstones, grindstones, grinding wheels and the like, nesoi, of	0.7	0	6.096
Ceramic	69089000	Glazed ceramic flags and paving, hearth or wall tiles; glazed	8.5	68.905	179.928
Gems & Jeweler	71179075	Imitation jewelry of plastics, nesoi, over 20 cents/dozen pcs or pts	3.2	3.752	4.09
Other	43013000	Raw lamb furskins of Astrakhan, Broadtail, Caracul, Persian, Indian, Chinese, Mongolian, Tibetan, whole	0.0	0.602	28571.814
Other	72044900	Ferrous waste and scrap nesoi	0.0	0	18504.132
Other	72041000	Cast iron waste and scrap	0.0	0	3685.653

Product	HTS8	Brief Description	US MFN Tariff	US Imports from Afghanistan (2005)	Afghan Total exports to World (000' \$s)
Other	09093000	Seeds of cumin	0.0	0	2653.074
Other	44039900	Wood in the rough, nesi	0.0	0	1459.819
Other	52010080	Cotton, not carded or combed, having a staple length of 34.925 mm or more, nesoi	0.0	0	1165.983
Other	08081000	Apples, fresh	0.0	0	1115.941

Source: Based on data from U.S. DOC and U.N. Comtrade.

3.3.2 Step 2: Industry Sector Analysis

The previous section's analysis of the trade capacity and competitiveness of Afghan exports provides a broad list of potential export sectors and product. This section expands the analysis to include domestic industrial capacity. The export capacity and industrial capacity assessments are used to develop a list of those sectors and products which are deemed to have the potential to provide the greatest economic benefits for Afghanistan. The sectors/products were determined based on information from a variety of sources and screening of sectors/products using pre-established criteria. The resulting short-list of ROZ products will then be assessed in the subsequent section in terms of the potential impact of the proposed ROZ tariff relief.

Not surprisingly, there is not an abundance of products that currently have potential for the US markets. The Afghan private sector remains, in general, in a depressed state due to years of infrastructural destruction as well as an exodus of skilled labor from the country. This is particularly true for the manufacturing enterprises. Where there was once a thriving manufacturing sector, now there exists a severely crippled industrial base. The main source of income is through agricultural activities such as cultivation of wheat, corn, rice, barley, a variety of vegetables, and fruits and nuts. Most manufacturing is also based on processing of agricultural and pastoral raw materials. Livestock (sheep, cows and buffalo) farming is also widespread. The major products are wool, leather, and highly prized Karakul skins. Afghanistan is rich in natural resources with numerous mineral and precious stone deposits, as well as natural gas and petroleum reserves. Most of these resources remain untapped.

In the recent past there has been some resurgence of economic activity throughout the country, but this, again, is mainly agricultural in nature, and informal trading and services. There are larger industries arising, but few in number, and they are focusing mainly on products for import substitution. New investments have been slow to materialize as potential investors weigh the risk of success based on difficult conditions in the country.

The list below shows products that are currently being produced and that may have potential for exporting under the ROZ program:

Afghan industrial sectors with the most export potential under ROZ:

- Agricultural processing
- Apparel
- Home textiles
- Marble products

- Carpets
- Gems and jewelry
- Leather products (footwear/bags)
- Ceramic glazed tiles

These products are currently being exported (albeit at very low levels) from Afghanistan and thus, became the focal point for assessments of products and sectors.

Methodology

The product selection was achieved through a four part process:

- General assessment of sectors from list developed in trade analysis
- Adding other sectors that were not included in trade data but appear to have potential
- Information collection and ranking of sectors
- Development of list of sector/products that could potentially provide exports

Information was gathered from documentation, meetings with key informant, and interviews (and site visits) with businesses. Interviews with businesspeople were undertaken using a standard format (see questionnaire in Appendix). An initial list of potential sectors and products was formulated as a result of information gained from the mentioned sources.

The ranking of sectors/products is illustrated in the table below. Each sector was given scores for each of the established criteria. As a result, those sectors and products were deemed to have good potential. The criteria included the following:

- Potential Employment Creation -- the potential for the sector to generate employment including forward and backward linkages.
- Skills Development Capacity – the current availability of technical skills development for skills needed in the sector.
- Required Infrastructure – the level infrastructure currently available (such as power, water, telecommunications) required for the sub-sector.
- Access to finance – potential for acquiring funds from formal sources.
- Support to the Sector – Developmental initiatives from government, trade associations, NGOs, etc.
- Level of Technology – technological needs as relates to other sectors.
- Availability of raw materials – Level of availability of raw materials at fair costs and required quality.
- Production Exported – Exports from the sector as relates to production.
- Labor Intensity – The number of employees used in production, relative to capital expenses.

Industry Sectors Immediate Potential

The sector assessed were ranked (on a 1 to 10 scale, one being lowest) using the criteria presented in the table below. The sector/products were rated for all criteria and scores were totaled. The end result was a prioritized ranking of the sector/products – with highest scoring sector being viewed as the most promising to benefit from duty free access to US markets from an industry capacity point of view. Rankings undertaken based mainly on future potential rather than what currently exist.

All sectors and products mentioned appear to be unready for significant export expansion to the US and all considerations are based on what may happen over time with regard to the development of both external and internal environments for business operations in Afghanistan. The general view is that a timeframe of at least two to five years is realistic given the current conditions. This two to five year period relates to a few sectors such as garments, home textiles, carpets, and leather products – while a longer period is envisioned for other sectors.

Figure 19. Sector Ranking Matrix

Criteria	Sector	Ag. Processing	Apparel	Home Textiles	Marble	Carpets	Gem and Jewelry	Leather	Glazed Ceramics
1. Potential for employment creation		8	8	7	4	8	4	5	8
2. Skills development capacity		3	3	3	3	6	4	4	6
3. Required infrastructure		4	5	5	3	5	3	4	5
4. Access to finance		2	3	3	2	2	2	2	2
5. Support to the sector		7	5	4	5	6	5	3	5
6. Level of technology		5	6	6	2	6	3	4	6
7. Availability of raw materials		9	7	7	10	6	9	7	9
8. Production exported		1	3	2	6*	8**	5*	2	2
9. Labor Intensity		6	9	8	5	9	5	6	8
TOTAL		45	49	45	40	56	40	37	51

* Most exported to Pakistan

** Most exported to Pakistan for cutting/washing and marketing

As the above table suggests, carpets is the most promising of the Afghan sectors due to the current and potential levels of employment and exportation. Glazed ceramics also ranks high based on potential employment and exporting, and availability of raw materials. The Textile sector (apparel and home textiles) shows good signs of future potential based on potential for employment and export growth based significantly on relocations of factories from Pakistan and other Asian locations. Marble and gem/jewelry are important due to large deposits of marble and gems in various parts of the country. Since Afghans rely mainly on agriculture for their livelihood, related sub-sectors have current and future importance.

Assessment of Chosen Sectors/products

The following are brief analyses of the sectors and products derived from key informants, secondary information and site visits to industries

Sector Overview: Garments

The garments sector in Afghanistan has a long history which, because of setbacks in recent decades, has currently brought it to a very low level of production. This production is characterized by “home-based” cottage industry handicrafts and a few manufacturing shops that cater to niche consumers for various markets. In both cases, the products are sold both locally and to export markets. A small number of products do find their way to US markets in an unorganized manner. The amount of exports is so small that it is not tracked by the WTO or UNCTAD.

In addition to traditional skills in the sector, Afghanistan has potential for supplying needed raw materials. These include cotton and wool (mainly from the East and South of Afghanistan), silk

(mainly from the Herat area), and cashmere (various parts of Afghanistan). Where there were once thriving raw material producers, there remains a crippled sector that will require substantial time and effort for its restoration. As with all sectors of Afghanistan, it is expected that it will take some time to bring the garment sector to the point where exporting to the US will be feasible. With an improved security and business enabling environment, it is very likely that significant numbers of apparel factories will be opened by foreign investors in Kabul and Jalalabad in the next few years. These could provide thousands of new jobs for Afghans. In addition, given the low level of development of the sector, a reasonable scenario would include “home-based” production to continue and develop to provide for niche markets. The garment manufacturing shops could be developed to provide for larger volume production for US markets. These would specifically include women’s and girl’s blouses and knitted or crocheted cotton shirts. In order to take advantage of export markets, there would be a need to have facilities that could produce large quantities of quality garments. This would require factories that would be outfitted with uninterrupted power supply to run the array of machines that would be needed. Production would be a typical CMT (cut/make/trim) operation that would entail all aspects of pattern design, cutting, assembly, and finishing. This would require skills in all areas of operations, which could take an initial 3 to 6 weeks of training depending on the job, according to one entrepreneur in Kabul who is setting up a medium scale garment factory.

Initially, backward linkages (raw materials) would be with outside sources such as Pakistan, but imports should decrease as local production of needed materials becomes more developed.

One company estimated the cost of establishing a garment factory in Kabul as follows:

Fixed cost = \$74,000

Variable cost = \$14.60

Cost per unit = \$17.00

With a breakeven point of 30,842 units/per month

In order to be competitive, the Afghan garment factories would need to benefit from tariff relief for US markets, and be linked to a regular buyer(s) that can provide consistent orders. The Afghan company will need to ensure that they produce the required product in a timely manner of the requisite quality, and keep production cost low. There are at least 2 companies in Kabul who have plans to begin production if garments on a medium to large scale. One is already producing ladies garments at a low production rate and is in the process of building new, larger premises in the Bagrami industrial estate in southeast Kabul. The owners are confident that they can produce a quality product that is competitive with the world and that they could produce in the quantities needed. The concern, though, is that necessary market linkages with US buyers have still not been established.

The garment factories will need to be located in areas that can provide for a reliable source of power (most likely dedicated generators initially), good transport access for securing raw materials and shipping of finished goods. The most probable locations for garment factories would be either Kabul or Jalalabad. Both face the same array of pro and con issues, but Kabul would have the advantage of being at the seat of most economic activity in the country, while Jalalabad could benefit from its proximity to the Pakistani border. Both Kabul and Jalalabad have a history of garment production – Kabul with its large state owned enterprises. Jalalabad also has a history that ended about 30 years when there were more than 20 factories in the Rodat District of Nangarhar that did everything from spinning of cotton and wool, to producing

finished garments (integrated value chain). It is reported that these factories employed more than 5000 people before the Russian invasion prompted a mass exodus of skilled workers to Pakistan and Iran. These workers continued to utilize their skills in those countries.

A future site for garment manufacturing might be the southern area of Kandahar, with its close proximity to transit lines and also to local raw materials, should they be re-developed. Currently the main hindrance to locating at this site relates to the increasing security risk.

As with other Afghan production sectors, the garment sector has its share of constraints – and also some opportunities, as follows:

- Power will be a major drain on profitability at least until such time that Afghanistan has a reliable power grid.
- Skills training will need to be a major activity in the start-up phase of the garment factory. This will be not only for the sewing workers, but more importantly for management staff at all levels of operation.
- Financing of these types of enterprises remain problematic with very little support from formal lending institutions.
- To compete on a global level, the technology used will need to be state-of-the-art and will add to the initial start-up costs.
- Initially, the required raw materials will need to be sourced from outside the country.
- There is the potential to provide employment to a good number of people (current planning for 2 factories mentioned above are to start with between 150 and 250 employees for each – with the not yet established factory predicting employment for 4000 people by the 5th year of operation). Of the total contingent of employees, the greater percentage of the positions will be earmarked for women.
- The raw material needs for garment factories could act as a catalyst to the development of local production of cotton, wool, silk and cashmere. This would lessen the reliance on imports and stimulate spin-off job creation.
- There is also an opportunity to produce garments for import substitution.

Sector Overview: Home Textiles

Household linens are quite similar to garments requiring the same inputs and some of the same operational processes. It is very probable that factories would specialize in garments or household linens but not both. This would be due to the differences in skills used, production line methods, and general configuring of production equipment.

Production:

The products in this sector are those goods that are textile in nature but not worn as apparel, including:

- Bed linen - cotton, not knitted/crocheted and not printed.
- Toilet and kitchen linens of terry toweling or similar terry fabric.

The above could include sheets, pillows casing, shams, towels, and dishcloths. Duvet covers are becoming increasingly important and are rapidly replacing bedspreads in homes, commercial and public facilities because they can be easily washed and are as a result, more hygienic.

As stated, the production is similar to that of garments but less complex. Designs are much simpler and are based mainly on squared sizing. The production stages require less skill, but the

same degree of quality – especially at the finishing stages. As with garments, the production of household linen's would be best suited near to Kabul or Jalalabad to allow for needed power and access to transit lines and marketing agents.

The constraints and opportunities for household linens mirror those of garments in the section above.

Sector Overview: Marble products

As with Pakistan, excellent quality marble is abundant in areas along the border, and also further inland. There is reported to be massive deposits of various types of marble ranging from Khogiani white (highly regarded) to the pink and green of the Northern provinces. The main issue related to the sector is the inefficient methods of extraction at the quarry level and cutting at the processing level. It is reported that up to 80% can be lost due to wastage at the quarrying and processing stages. Most Afghan marble is currently being “exported” to Pakistan where it is cut and exported as slabs – much of which re-enters Afghanistan as slabs and tiles to be used for the booming construction business. A small amount of marble is being processed in Afghanistan as tiles and other construction products – decorative marble products are being produced at very small quantities.

Quarries are provided to individuals on a leased basis from the government. The government is in the process of adjusting laws that should provide better benefit to quarry owners. One main feature of new legislation will lengthen the lease period and offer possibilities of automatic lease extensions. The quarries are in dire need of technology upgrading. Use of rudimentary technology has created a situation whereby great profits are being lost due to wastage. Quarries are unable to change to new technologies due to the prohibitive costs for modern equipment and for training in new methods.

The processing level has the same wastage issues as the quarries. Wastage is a result of inefficient transport and the outmoded technology being used for processing. The technology does not provided for the precision needed to provide a high percentage of usable slabs and tiles. Again, the processors report that the capital outlay for state-of-the-art equipment is beyond their reach.

Sector specific constraints that could affect competitiveness. There is an enormous amount of wastage at various points of the value chain, mainly at the quarrying and processing sites, but also there is wastage in transporting (especially in the rainy season) of raw materials and finished products. Technology and skill levels are low in both mining and processing, basic skills are available, but advanced technologies are lacking. Weakness in processing in Afghanistan leads to great amounts of stone being exported to Pakistan

On the positive side, there are large deposits of marble in various parts of the country providing for good backward linkages to processing. Also, the Afghan government has begun paying more attention to the development of this sector – mainly at the mining level. There exist large markets for marble products, reflecting a construction boom currently occurring throughout Afghanistan.

Sector Overview: Carpets

Afghanistan has had the reputation for excellent carpet weaving for hundreds of years. Production of these carpets, once regarded as being of the highest quality in Central Asia, saw a decline in their status over recent decades. Many of the skilled carpet weavers fled to Pakistan and Iran. Many unskilled carpet weavers who remained behind began weaving substandard

products bringing down the high regard that was once bestowed on Afghan carpets. In the past 10 to 15 years there have been efforts to bring quality carpet weaving back to Afghanistan. This has resulted in a large number of carpets being woven throughout the country³⁵. The exportation of Afghan carpets was valued at approximately \$4 million, but probably ten times that amount is going to Pakistan as undeclared exports. This sector has good potential for solid backward and forward linkages, as the value chain develops. These linkages can provide for significant employment and export potential.

Carpets are currently being produced in a labor intensive manner that is similar to the methods used for many years. Most production in Afghanistan is home-based and involves various family members. For the most part, these cottage industries are being supported by traders who provide raw material and designs, then collect the woven pieces. In the recent past the carpet sector has become more and more sophisticated. Throughout the country there are many weavers that are being organized by the traders. For the most part, the woven pieces are collected and taken to Pakistan where they undergo the final finishing of cutting and washing. The finished carpets are then marketed from Pakistan with Pakistani branding. The main constraint is the lack of local Afghan cutting and washing facilities that can accommodate the great numbers of carpets being produced. There are at least two companies in Kabul and one in Mazar e Sharif that are taking the process through the cutting and washing stage, but at low volumes compared to the overall number of carpets being woven. There are reports that cutting and washing in Kabul is not optimal due to the cold winter climate and water that is not conducive to the washing process. Many feel that the Eastern Region would be a better choice for cutting and washing as it has milder winters and water suitable for the washing. And, in fact, it is reported that the planned “carpet city” estate in Kamari (southeast Kabul) will also have a sister site in Jalalabad that will be dedicated to cutting and washing.

Most notable Afghan carpets come from Northern provinces and Herat, but weaving seems to be occurring throughout the country. There are excellent carpets being made in large quantities in the Eastern Region and even in the South of Afghanistan.

The actual weaving can be done almost anywhere and needs little infrastructure. As noted above, the final process of cutting and washing requires a location that provides for warmer temperatures and water that is suitable for washing.

Sector specific constraints that could affect competitiveness. Most raw materials are procured from Pakistan (in spite of the availability of wool and silk in Afghanistan) due to the lack of facilities for dyeing of wool. In fact, quite often the wool is secured from, for example, Gazni and sent to Pakistan for dyeing and then sent back for weaving. This is a major issue related to a lack of adequate cutting and washing facilities in Afghanistan, resulting in unfinished carpets being exported to Pakistan. Because the carpets are finished in Pakistan, the marketing also occurs there. There is a risk that families may depend on the work of children in the weaving process, which could result in unacceptable child labor.

There remains a great opportunity for employment of many people, particularly women who can undertake this activity in the privacy of their homes. The potential for bringing back the total carpet value chain to Afghanistan could include a significant boost to the sector and to the national economy as a whole. Cutting out the middlemen related to transport and trade from

³⁵ On the Frontier Carpet sector study 2005

Afghanistan to Pakistan, and returning finishing and marketing to Afghanistan could provide for an increase in value of several times current levels. Greater coordination of the carpet sector could result in greater development of the sub-sectors that could provide related raw materials.

Sector Overview: Gems and jewelry

Gems and jewelry are in abundance in Afghanistan with lapis lazuli being the main semi-precious stone. Other notable stones are rubies from Jagdalak (Kabul Province), and an array of stones from Badakhshan (Panshir) in the north – to include: topaz, tourmaline, aquamarine, amethyst. Most gems are taken to Pakistan in raw form where some are cut and polished, and then sent to India, Thailand, or Israel for cutting and polishing and mounting. Currently the government of Afghanistan is developing and enforcing policy that may cut down on the illegal exports of gems, and encourage more value addition in Afghanistan.

Gems are mined in much the same way as marble with basic method of blasting. As a result, losses are great. Mines are usually family operated with 8 to 15 persons working in each mine. The mines are actually controlled by a “commander” (buyer) who typically pays the miners in gems. The buyer then takes the gems in raw form to Pakistan. Some of the gems find their way to Kabul, but it is said that those are of the lowest quality and would not fetch much money in Pakistan. In Kabul there are those that have cutting and polishing skills using very basic equipment. One producer claimed that he uses dental tools due to his inability to locate proper equipment. Unfortunately, there remains a lack of expertise needed to develop the gems and jewelry at the level of quality/quantity needed to service export markets. Although not particularly labor intensive (relative to other sectors assessed), there is good scope for local backward (raw stones) and forward (finishing and marketing) linkages in the sector.

Sector specific constraints that could affect competitiveness. There is a lack of control (by the government) of mining and movements of raw gems. Most gems are smuggled to neighboring countries. As with the marble sector, there is a dire lack of mining techniques needed to lessen wastage. Currently there is no solid skill base in the country and no plans for related training, most technicians are imported from neighboring countries.

There is an abundance of a variety of gem types in Afghanistan. This is especially true of the world re-known deposits of Lapis Lazuli in the northeastern part of the country. There is the basis for the development of solid local gemstone cutting and polishing activities which would result in the best gemstones (currently being exported) being locally finished and marketed. The global appetite for many of the types of semi-precious stones mined in Afghanistan

Sector Overview: Leather Products (footwear/bags)

For the most part, cow hides are collected by traders from farmers and brought to major collection areas such as Kabul, Kunduz, Kandahar, and Jalalabad. Most of these hides are sent to Pakistan tanneries in Peshawar, Quetta and Karachi. It is reported that there are some small scale tanning facilities in Afghanistan, including Mazar e Sharif. Current leather production is mainly for “tourist” consumption (e.g. Chicken Street in Kabul). Very few articles are exported through informal channels such as hand carrying by travelers.

There are those who do possess some traditional skills for making leather products. The producers have little knowledge of new products and designs that would be marketable to world markets. The products currently being produced are mainly men’s and women’s bags and wallets, attaché cases and other larger bags, and basic leather shoes.

Production is carried out at a low level of technology using hand tools. The current level of production and technology only requires low levels of infrastructure, such as power, water, etc. It is envisioned that the sector could develop into clusters of small/medium enterprise which could be started from a relatively low capital base. There is good scope for local linkages throughout the value chain, which could result in greater employment.

Sector specific constraints that could affect competitiveness. There is a lack of tanning facilities to accommodate large-scale production. Some have indicated that there are small-scale tanning facilities that utilize very rudimentary methods. There exist an abundance of potential raw material throughout the country – most of which is currently being exported in very raw (only salted) form. There is need for training up and down the value chain that targets grading of hides, tanning, and production of new and up-scale products. Although leather products are being produced in Afghanistan it is mainly for local consumption and for “tourist”, there is a major market access problem for the producers.

Sector Overview: Ceramic Glazed Products

Afghanistan is renowned for a particular mode of ceramic glazed products that has been made mainly in the Shomali Plain north of Kabul, for hundreds of years. At one time there were thousands of producers and many merchants of the highly regarded craft that is usually rich blue tones (much of this color being derived from Lapis Lazuli stones). The products made are both functional and decorative, and based on ancient designs. In recent years there has been a resurgence of production of the ceramic glazed products and more and more people are returning to production of various products. The products are basically bowls, vases and tiles that are made in a handcrafted manner and fired in kilns for the rich glazed look. The process of production is rudimentary and requires little more than hand tools and a wood fired kiln. In order to take advantage of economies of scale, the individual ceramist would need to group themselves into clusters so as to cut down on costs of inputs, and to market finished goods in larger volumes. This sector has already received some assistance from Aid to Artisans funded by USAID and ACTED (French) in attempts to revive the production and marketing of this uniquely Afghan product. There is talk of the establishment of a training center that could help in re-establishing almost lost skills.

The production would probably begin by serving niche markets, but could have potential for developing for much larger mass markets. All of this will require much more organization in the sector than currently exists. The main area of current (and former) production is in and around the village of Istalif in the Shomali Plain. The location is obviously good due to the existence of the availability of the needed skill-set and raw materials, and proximity to Kabul (about 1 hour north of Kabul) as a marketing center. Other locations could be possible given the low level of infrastructure and technology needed.

Another product that is specific to Herat is glazed ceramic tiles. The production of these tiles is being promoted to aid in the restoration of many monuments throughout the country and may have some export focus.

Sector specific constraints that could affect competitiveness. Market access is a critical issue for this sector. This is not merely related to the finding of new markets, but would also include responding to the exacting needs of those markets. Organization of the production cluster will be necessary so as to take advantage of economies of scale. This would mean grouping producers in procuring raw materials, sharing technology, and marketing en mass. Because of the nature of

the product, there is potential for great amounts of wastage in transporting, so special care should be taken in shipping of finished goods as they can be both heavy and fragile.

There is potential for significant job creation as this traditional craft is usually undertaken by the members of many families. Infrastructural needs are minimal as production, like carpet weaving, can be home-based utilizing simple tools and equipment.

Sector Overview: Agricultural Products

Afghanistan is a country that is highly dependent on agricultural activities. An estimated 70 to 85% of the population is involved in agriculture for their livelihoods. Historically, Afghanistan has produced, processed and exported significant amounts of agricultural products. For example, in the early 1970's, Afghanistan was the largest exporter of raisins in the world, and had significant exports of other agricultural products. Afghanistan continues to cultivate a great array of agricultural products that are normally considered “organically” grown and have been praised for their size, attractiveness and taste. Some products that have potential for exporting in the near future are discussed below.

Dried Fruit and Nuts—This has been and continues to be an exportable sector of Afghanistan. Main products are raisins, almonds, apricots. Most of the products are destined for regional markets, but some are also reaching markets farther away. Recent support has been provided to the sector by USAID through Roots of Peace (RoP). RoP has worked with all parts of the value chain to assist in the re-development of this important commodity. The sector represents a large number of jobs with potential for many more. Other products that currently have good world markets and are grown in Afghanistan are:

- Dehydrates – big market for products to be used in soup mixes, sauces, herbal remedies, etc
- Pomegranate concentrate – this product can be concentrated and sold to a waiting worldwide market that has discovered the myriad of curative properties in the fruit juice.
- Spices (cumin, saffron) – these are a traditional product and are reported to be of excellent quality and suitable for the taste of many world markets.
- Difficulty of meeting health and sanitary standards in the US and EU.

Cross-cutting Issues Affecting Afghan Industry

Common themes voiced by producers in the various sectors are discussed here.

Focus on local markets. The vast majority of producers in Afghanistan are concentrating on securing domestic markets that are currently being serviced by imports. These imports are, for the most part, from Pakistan and Iran, and to a lesser extent China, the Middle East, and countries to the north. In recent years a few Afghan entrepreneurs have seen the opportunity to develop import substitution products throughout the country. Production is, on the whole, at an infant stage and producers are focused on the local markets and do not currently see the need for entry into the export arena. As mentioned earlier, due to the array of constraints facing entrepreneurs (e.g., power, land, skilled labor, etc) large scale production activities may be a ways off, even local production. Regional export is considered to be the next target market and capacity to export to the USA is, by and large, seen as a developmental process that may take from five to ten years.

Key constraints in the business enabling environment. According to the World Bank there are five main considerations when making a new investment decision³⁶. These considerations are for the most part external to business operations and related to the enabling environment that is required to allow businesses to start and operate in a reasonable risk atmosphere. These include the following:

- Political and economic stability and security
- Clear and unambiguous regulations
- Reasonable tax rates with equitable enforcement
- Access to finance and infrastructure
- Skilled workforce

Assistance in linking to international markets. Almost all of the interviewees mentioned the need for assistance in locating markets. For most in Afghanistan the marketing efforts related mainly to local and regional markets. Because of the focus on local markets, most business people did not have a clue regarding the process of accessing US markets, or even other export markets closer to Afghanistan. Those few that are already exporting expressed the need for assistance in finding new export markets, as their exportation is usually at a small scale and done through friends and/or family members in the countries to which products are exported.

Some businesspeople who are producing products that currently have no tariff or low tariff also stated that they would be interested in benefiting from the ROZ initiative if the overall program included provisions for assistance in gaining access to US markets (or even regional markets). The view seems to be that even without tariff relief, there would be a great benefit in accessing new markets.

Skilled manpower. All sectors face a lack of skilled manpower. This is especially true of technical skills, but also includes managerial skills. There are currently no institutions that provided comprehensive, quality skills training. Most training is “on-the-job” in an apprenticeship mode that is lacking in structure and comprehensiveness. Because training is haphazard, many do not fully grasp the methodologies which can result in sub-standard production and problems with safety.

Finance issues. For all sectors there is general difficulty in obtaining funding from banks. The banks are unwilling to provide finance for high risks investments.

Related to financing is a lack of awareness related to costing and pricing of products which leads to an even broader lack of adequate accounting techniques for many entrepreneurs. Thus, there is the issue of unavailable financing but also a problem related to internal management of finances by many entrepreneurs.

Technology/product design. Many manufacturing companies are utilizing machinery that is outdated. Some is leftover from older factories and while others are jerry rigged duplicates of older technologies. Many producers were schooled in the old Soviet methods and continue in that vein. Few have adapted more modern and efficient production methods. There is also a lack of awareness of designs or standards related to market trends. Much of the productive activities are supply-led without regard for exacting needs and desires of the consumer.

³⁶ The Investment Climate in Afghanistan, 2005 (World Bank)

Afghanistan-Pakistan collaboration. Pakistan is a country that has made significant industrial progress in the recent past and continues to develop. On the other hand, Afghanistan is at least 20 years behind in its industrialization. Despite the differences in the two countries industrial development, there may be scope for joint production in sectors that are common to both countries – such as textiles and apparel, marble, gems and jewelry, and carpets. One scenario may be the development of these sectors with cross-border activities throughout the value chain. There may also be scope for Pakistani companies joint venturing with Afghan companies in a place such as Jalalabad.

State Owned Enterprises. Afghanistan has more than 70 state owned enterprises (SOEs). Most are holdovers from the Soviet era and are ill-managed and unprofitable. In some instances they offer are characterized by disproportionately large factory buildings with more than ample work space occupied by outmoded machinery. The government has enacted a privatization policy and some of the SOEs might have potential as ROZ enterprises. One example of this is the former Bagrami textile factory near Kabul that has been parceled out to a number of private concerns including a furniture manufacturer and a home textiles manufacturer. Another example might be the olive oil factory in Nangarhar. This factory is still in operation with more than adequate infrastructure and a good supply of local raw material. The factory is capable of providing large volumes of excellent quality extra virgin olive oil utilizing equipment that is only three to four years old. The management of the plant reports that the main constraint that they are facing is a lack of bottles for the filtered oil. As of early September, 2006 there was approximately 70,000 liters of oil being stored in large vats. This oil will not hold its freshness and consistency for long and will go bad in the next 4 to 6 months if left in the vats. To re-emphasize the lack of required management, the managers were at a loss to explain what would become of the oil if bottles were not secured – there has, obviously, been no regard for identifying markets for the oil.

3.3.3 Step 3: Tariff Analysis

The principle aim of this section is to identify, within the context of the preceding trade and industry/sector analyses, the products in which Afghanistan is most likely to benefit from the proposed ROZ program. These will be those for which the ROZ program can offer the greatest tariff preference – the greater the tariff margin between MFN tariffs and ROZ tariffs (assumed to be zero-rated), the greater the benefit to Afghan exporters and consequently the likelihood of expanding exports from and creating jobs through the ROZ program.

Figure 20 provides a summary of products falling under the sector/industry classified under HTS sector, respective mean tariff, minimum tariff, maximum tariff and relative importance in terms of share of exports belonging to each sector. Textile and apparel products consist over half of (39) products in the non-GSP list with an export share of 18.1 % of total exports and have the highest US MFN tariffs.

Figure 20. Afghanistan: Profile of Non-GSP Exports and MFN Tariffs

Sector	No. of Products	MFN Mean Tariff	Max Tariff	Minimum	Exports to the U.S	% of Total Exports
Fruit and Vegetable Products (Chapters 6-14)	12	5.2	54.6	0.0	0.0	3.5
Mineral Products (Chapters 25-27)	1	0.0	0.0	0.0	0.0	0.4
Plastics and Rubber Articles (Chapters 39-40)	1	4.3	4.3	4.3	0.0	0.0
Raw Hides and Skins, Leather (Chapters 41-43)	7	5.7	12.4	0.0	0.0	19.1
Wood and Articles of Wood;(Chapters 44-46)	3	0.0	0.0	0.0	0.0	1.2
Textiles and apparel(Chapters 50-63)	39	7.2	19.7	0.0	1.9	18.1
Footwear, Headgear (Chapters 64-67)	3	13.0	23.0	7.7	0.0	0.0
Articles of Stone Glassware (Chapters 68-70)	2	4.6	8.5	0.7	0.0	0.1
Precious or Semiprecious Stones Chapter 71)	2	1.6	1.6	1.6	0.0	0.0
Base Metals and Articles (Chapters 72-83)	4	0.0	0.0	0.0	0.0	14.9

Source: Calculations are based on /Comtrade data (trade data) and US Commerce Department (tariff)

Hides and Leather products on the other hand accounted for largest share of Afghanistan's total exports (19%). This sector is potentially attractive for development under the ROZs-- although the mean U.S. tariff on this category of products is only 5%, some specific products are subject to higher rates, such as leather trunks and suitcases with 12.4%. Some higher tariff segments make an attractive option for Afghanistan's leather industry, which is still at the lowest level of value chain such as hides and skin. ROZ benefits on value added product could encourage production at higher levels of the value chain.

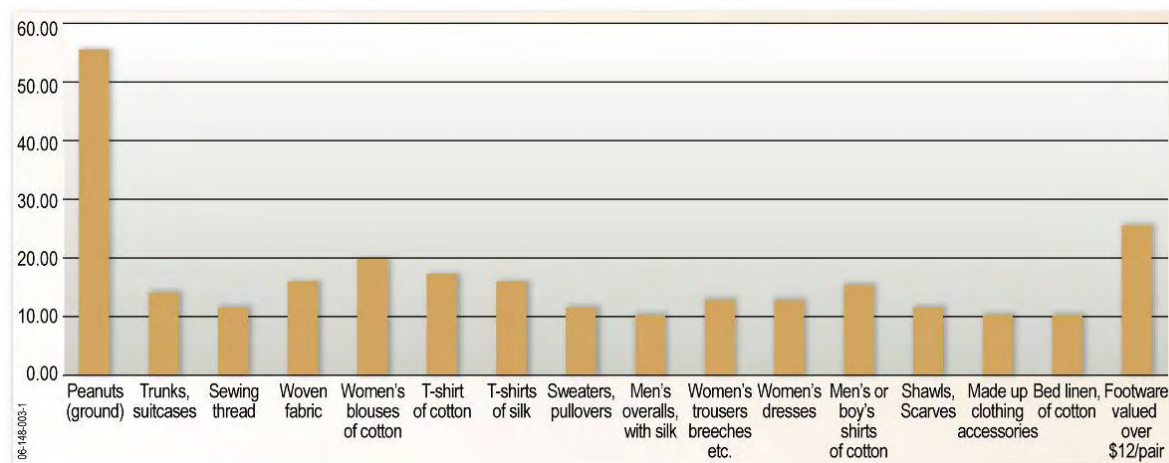
Within the fruit and vegetable section the outlier peanuts with a tariff of 54% has pulled the mean rate above 5%, otherwise average would less than the 0.5% rate for this segment. Imperfect estimates of Afghanistan's revealed comparative advantage suggests the highest RCA values are in the fruit and nuts category, and therefore should considered as a long terms prospect.

The highest tariff segment is for footwear with 13% mean tariff, but Afghanistan has three footwear export products, which amounts to only a 1% share of its total exports.

The Tariff Incentive

Incentives for industries to engage in ROZ based exports are illustrated in Figure 21. Afghanistan exports in the MFN high tariff category (above 10%) include peanuts in shell (not roasted or cooked) with the highest tariff (54%) and Footwear with rubber or plastic sole (23%). The rest of the products include Apparel and related products such as women's or girl's blouses and shirts (19%) T-shirts, singlet, tank tops and similar garments (16%). Woven fabric of poly staple fiber and men's or boy's shirts (14%). The apparel segment of textile, such as men's and women garment in particular, provide for higher US tariff margins and constitute the most promising ROZ activity.

Figure 21. Afghan Exports Under US MFN Tariff Above 10%



While it is recommended that the ROZ program provide a level of access to the US market similar to the existing QIZ programs in Jordan and Egypt, it is likely that Afghanistan will reap the most benefits in a range of products that it already exports competitively to the U.S. or rest of world and/or could produce competitively in the ROZ designated territories. However, based on the above analyses, it is apparent that the expected tariff margins may constitute insufficient incentive for exporting to the U.S. .

Products Summary/Conclusions

This filtering process yielded a final list of 59 HTS 8-digit products that can be considered 'real' Afghanistan exports that fall under US MFN tariff. These 59 products accounted for 69% of Afghanistan's 'real' exports and consisted of mainly agriculture, textile, and mineral and mining based products. Afghanistan has failed to take advantage of exporting those products currently eligible on the list of GSP products; it exported only 8 HTS products which account for less than 1% of Afghanistan's exports. This is partly owing to lack of understanding of the GSP process and eligibility and product quality, food safety (agriculture) or, mere lack of competitiveness. This products list provided the guidance for industry analysis to determine what would be most likely to benefit under the proposed ROZs

The main sectors that are considered to have product with export potential to the U.S. are:

- Agricultural Processing
- Apparel
- Home Textiles
- Marble products

- Carpets
- Gems and jewelry
- Leather products (footwear/bags)
- Ceramic glazed products

Few sectors currently produce for an export market. The vast majority of producers in production in Afghanistan are at an infant stage and businesses are concentrating on domestic markets that are currently being serviced by imports from Pakistan and Iran, and to a lesser extent China, the Middle East, and countries to the north. Many of the industry representatives interviewed in Afghanistan expressed the view that it might take from 3 to 10 years industry to develop the production and marketing capacity needed to effectively assess the US market. This time period would allow for the required infrastructure to be put in place, and for the manufacturing sector to develop in a way that would provide quality (world standard) products in large quantities.

Almost everyone contacted voiced the opinion that tariff relief should not be the only feature of the ROZ initiative, and that other incentives should be offered. Some main incentives suggested are: assistance in finding markets, upgrading of infrastructure (especially power), assistance with skills and technology upgrading, and better availability of loans.

Many agree that Afghanistan has some excellent raw materials; superior marble, a wide variety of gems of high quality, ample high quality wool and leather, and an abundance of agricultural produce. But there are a number of environmental and production/extraction issues related to these raw materials, and related potential for processing. In general, there is a lack of management throughout the value chain in all sectors. One example relates to the extraction, distribution and finishing of marble and gems. Current methodologies include blasting of marble and gems at the mine level, and utilizing outmoded means of processing which can result in overall wastage of up to 80%.

Trade Capacity Building Reforms to Support ROZ: Based on the trade and industry analyses (location, infrastructure, skill and transit impediments) it is apparent that the expected tariff margins may need to be supported by trade capacity building reform programs. In addition to factors alluded to in the industry analysis, two of the major trade-related capacity building issues that may be need to be addressed in order to take full advantage of ROZ duty free benefits include, a) upgrading of food health and safety standards and b) streamlining transit trade through Pakistan.

Market Access through Food Health and Safety Standards

Agriculture products are an essential component of Afghanistan's rural economy, and the expansion of trade in this sector can have a positive impact on rural incomes and poverty. Based on recent trade patterns, the most dynamic agricultural products, including fruits and nuts, are already benefiting from duty-free status under the GSP but have not had success in gaining U.S. market share. Moreover, other fruit and vegetable exports are subject to MFN duty rates, but these rates are currently very marginal (less than one percent), with the exception of ground nuts.

The main obstacle to expanding Afghanistan's export of such agricultural products is the sanitary and phyto-sanitary standards (SPS) that must be met in order to enter the U.S. market. Current pesticide residues, microbial contaminants, acidity, sugar and moisture content in fresh fruits currently do not meet U.S. FDA standards. The Export Promotion Institute analyses raisins and nuts for aflatoxins, microbial contaminants and grits/sand, on request of the concerned processing

factories or before the products are licensed for export. But the contaminations are occurring post-harvest, during the packaging, storage and transportation of raw products, well-before the products reach the factories.

Upgrading standards capacity is already underway.³⁷ In the short-term, the cost of compliance could well exceed the benefit conferred by the duty preference. However, there are two critical characteristics of agriculture sector highlights its due importance that may be considered under any ROZ activity. First, the fruits and nuts sector is crucial to rural incomes and poverty alleviation. Any expansion of activity therefore has the potential to provide means of improving the quality of life and provide an alternative livelihood to illicit activities, including poppy cultivation. Second, the dried fruits and nuts sector, particularly of the organic variety, are one of the fastest growing markets in the U.S., with price premiums of 20 to 40 percent versus non-organic varieties and may, therefore, represent the most promising agricultural sector for Afghanistan's prospects since majority of cultivation is already free of pesticides and fertilizer usage. Therefore, efforts to upgrade basic health and safety standards especially of the dried fruits and nuts sector needs to be supported by the GOA and the donors given the broader spillover benefits to the rural communities.

Trade and Transit Facilitation through Pakistan

The negative effects of a country being landlocked include increased prices for essential imports and reduced export revenues due to disproportionately high transportation costs. A landlocked country, Afghanistan therefore needs efficient, low-cost transit routes and trade facilitation systems to help exporters take advantage of market access arising from the ROZs. Afghan producers, traders and freight forwarders in addition to the transports costs burden are forced to navigate the logistical and bureaucratic challenges of shipping their goods by land through Pakistan and Iran to their sea port's access to the rest of the world.³⁸

The nearest seaport for Afghanistan is via Torkham then through Peshawar to Karachi Pakistan. Afghanistan's transit relations with Pakistan are governed by the Afghan Trade and Transit Agreement ratified in 1965, which requires that freight be moved from the railways in Karachi to railheads in Chaman and Peshawar. Vehicles registered in both Pakistan and Afghanistan are supposed to be allowed to carry freight across the border. Afghanistan further is entitled to duty-free transit of its imports and exports through Pakistan.⁷ This rarely occurs in practice, especially for Afghan exports. Extensive consultations with Afghan private industry and Afghan Government representatives undertaken by the AFPRO study suggested³⁹ issues have the largest trade facilitating impact through to Karachi Port:

- **Goods clearance time at Karachi Port.** The most important issue causing time delays at Karachi port is the documentation needed by the outdated Afghan Transit and Trade

³⁷ Testing of raisins for export is conducted by two bodies. The first is the Afghan Raisin Export and Other Dry Fruit Export Promotion Institute, in the MoC, which has a small laboratory and issues a certificate of "quality control", a procedure for which it charges 50 Afs/mt. Secondly, provincial departments of the Ministry of Food, Agriculture and Animal Husbandry also provide a certification service to exporters of raisins. The Afghanistan National Standardization Authority in the Ministry of Commerce, established with the support of the World Bank Emergency Customs of investment and upgrading from cultivation to packaging. ANSA will develop laboratories that will have a regulatory and a commercial role.

³⁸ Afghanistan has transit agreements or understandings with Pakistan, India, Iran, and Uzbekistan and is a signatory of the International Transit Convention (Transports Internationaux Routiers). It also participates in the Central and South Asia Transport and Trade Forum's (CSATTF) Corridor Development Plan.

³⁹ Trade and Transit Facilitation Strategy: Part 2: Trade Route Analysis: Kabul to Karachi vs. Bandar Abbas, Prepared by National Trade Facilitation Committee of Afghanistan (AFPRO), August 2006

Invoice (ATTI). It takes an average 14 days (344 hours) “factory-to-ship” to go from Kabul and depart Karachi port for international markets. Of those 14 days, 10 days are spent sitting in Karachi waiting for clearance. Clearance often takes several weeks. Experts believe that this form could and should be replaced by the recently introduced “Goods Declaration” or GD which effectively renders the ATTI obsolete.⁴⁰

- **Ban on Afghan trucks traveling beyond Peshawar.** An important issue for Afghan traders transporting goods through Pakistan is limitation on Afghan trucks to transit Pakistan. Delays and added costs result to Afghan traders because Afghan exports are unloaded from Afghan trucks and reloaded onto Pakistanis trucks at border crossing points. Other issues include the illicit taxation of goods in transit to Afghanistan by municipal authorities and the nearly 100 percent inspection rates that causes long delays at borders.⁴¹
- **Illegal and mobile checkpoints in Pakistan.** A number of Afghan traders interviewed complained about delays caused by illegal and or arbitrary moving checkpoints in Pakistan between Torkham and Peshawar. In just 62 kilometers, trucks are stopped 5 times and truck drivers asked to pay “unofficial fees” known as “baksheesh”. These checkpoints are manned by “tribal” elements that have little allegiance to the central government, but do provide receipts for fees paid.⁴²

Existing studies demonstrate that freight costs of landlocked countries typically account for about 15% of the value of imports (C.I.F.) compared to about 7% and 4% for other developing and developed countries respectively, an 8 percent disadvantage compared to a coastal developing country. If combined with the export disadvantage of another 8%, this would suggest a tariff incentive margin of 16% or more would be needed in order to successfully compete with other developing countries.

In order to establish whether the transportation and additional transaction costs erode the margins provided by the proposed US tariff incentive, we estimate the cumulative costs as a percentage of the assessed value of a hypothetical export (apparel) through Karachi for 20-foot container. A summary of the trade route costs is given in the table 3 below. Port delays in Karachi range from 6 days up to 2 months—a high variance. The mean delay is assumed to be 10 days (AFPRO, 2006 p.8). Demurrage fee is 40 Pakistani rupees per day per ton (800 rupees per container or \$13.79) after 10 days in the port.⁴³ We also assume, based on responses from industry, loss of orders due to delays and damage to be approximately 1% of the consignment.

⁴⁰ Details of the ATTI and its role in delaying Afghanistan’s transit goods are found in Appendix 1.

⁴¹ Difficulties caused largely by the re-export of goods in transit into the Pakistan market have plagued Afghanistan’s trading relationship with Pakistan. At present, six items are on the “negative list” of commodities that do not qualify for transit status: cigarettes, cooking oil, tires and tubes, televisions, auto parts, and telephones. If Afghanistan were to join SAFTA, the reduction in tariff differences between the two countries would curb incentives for smuggling and ease problems with the current transit arrangement.

⁴² In addition, Afghan carpets for example entering Pakistan, even if destined for a third country, are usually subject to full Pakistani import duties, as well as other administrative charges. Afghan products often have difficulty transiting the Port of Karachi, where they are frequently subjected to costly delays”, Chip karkoff (TSG 2005).

⁴³ This figure assumes on average 20 tons per container for a 20 foot container.

Figure 22. Summary of Transport and transit related transactions cost

	Kabul - Karachi	
	Current	Reformed
Shipping Kabul –Karachi	\$ 1,950	\$ 1,547
Kabul -Peshawar (313km x \$2.25/km)	\$ 704	\$ 300
Peshawar - Karachi (313km x \$0.96/km)	\$ 1,246	\$ 1,246
Demurrage 10 days over free limit @\$14	\$ 140	\$ -
Cargo Value Loss (Expected Value =\$40000 x 0.5 x 2.5%)	\$ 500	\$ -
Total Cost	\$ 2,590	\$ 1,606
Shipping/Cargo Value Kabul-Peshawar	1.8%	0.8%
Shipping/Cargo Value Peshawar-Karachi	3.1%	3.1%
Karachi Port Export Costs/Cargo Value	1.6%	0.0%
Total Cost/Cargo Value Kabul-Karachi	6.5%	3.9%

Note: Shipping costs per kilometer include charges at checkpoints.

Source: These are drawn from Trade and Transit Facilitation Strategy: Part 2: Trade Route Analysis: Kabul to Karachi vs. Bandar Abbas, Prepared b National Trade Facilitation Committee of Afghanistan (AFPRO), August 2006

An analysis of the transport costs would suggest the percentage transit cost relative to the exported goods would provide an indication of the extent of disadvantage (or disincentive) to Afghan exporters. A breakdown of shipping costs for goods transiting through Pakistan reveals that the total cost per value of exporting from Kabul is currently 6.5% of the cargo value, assuming a 20-foot container with a \$40,000 cargo. Shipping to Peshawar is estimated at 1.8%, while shipping cost past Peshawar to Karachi is 3.1%. Adding in the expected costs at port, due to delays in port clearance and the extra costs for demurrage, the total cost is 6.5%. Importing inputs would be somewhat less assuming that imports coming in would not have the high demurrage and value losses. Hence, the extra cost compared to Karachi with local inputs would be 6.5%, while exporting from Kabul with imported inputs would be 11.4%. One could adjust the estimate for other areas assuming shipping cost in Afghanistan of \$2.25/km while only \$0.96/km in Pakistan. Given that the value of goods could actually be lower, which field investigations indicate may be the case for some low-value product sectors (by volume), the relative costs of shipping may be even higher.

It is important to note that the above analysis does not take into account three other factors that can affect the cost of transport: a) the time delays of additional formal and informal check-points; b) costs of unloading and loading Afghan consignment; and c) the additional documentation costs of adhering to the ATTI (see “reformed” columns in table). Nevertheless, the above analysis suggests that 2.5% of the assessed value of exports

Items under Direct Cost of Production in the ROZs include:

- *Salaries, wages, and fringe benefits of production workers.*
- *Utilities to the extent actually used in the production process.*
- *Salary and fringe benefits of the plant manager/general manager/general foreman to the extent he performs functions of first-line production.*
- *Payroll taxes for direct labor.*
- *Groups insurance for employees.*
- *Labor cost of shipping and receiving employees.*
- *Depreciation of items used in production, and on laboratory equipment.*
- *Building rent on that portion of building space directly used in the processing operations, but not for space.*
- *Wages of drivers who transport raw materials from the border to the plant.*
- *Property taxes directly attributed to the plant space used in the production process.*
- *Depreciation of equipment and machinery used in the production process.*
- *Inland and international freight costs for transporting materials to a QIZ for use in the manufacture of an eligible article.*
- *Cost of maintenance of production equipment, cost of repair and modification.*
- *Packing costs. (Plastic bags, paper, and other U.S. produced packaging materials).*
- *Research, development and design engineering costs directly applicable to the specific merchandise.*

may be saved if Pakistan and Afghanistan fully implement the transit agreement, through the reduction of demurrage charges and other losses associated with transit.

The ROZ's goal of increasing cross-border economic cooperation and integration is likely to be hindered by the ongoing difficulties faced by Afghan importers/exporters that must rely on transit movements through Pakistan. The ROZ program may be able to generate both ancillary economic benefits to all Afghan exporters and consumers and a direct increase in the comparative advantage to Afghan exporters who would benefit from both lower US tariffs and lower transit costs.

3. 4 Rules of Origin Assessment:

The role of preferential rules of origin is to ensure that only goods originating in participating countries enjoy preferences and goods produced elsewhere are not simply channeled through the ROZs to benefit from the duty preferences. Two approaches are often utilized to ensure that benefits are conferred only to the intended country or region. One approach is to use local value-added content as a rule; another approach is to allow preferential treatment for goods that undergo a change in tariff heading. While the former is more common, these rules are not necessarily mutually exclusive—some preferential trade agreements and programs may require both rules to be satisfied.

Rules of origin also typically specify what costs may be included in the calculation of value-added in order to guard against any trade deflection that would benefit third countries rather than the ROZ territories. This could occur, for example, if a shirt that is made in China is sent to an Afghanistan ROZ for simple processing—in such a case, Afghanistan would benefit little in terms of employment generation and China would inadvertently gain preferential treatment for a product that is essentially a product of China. The QIZ rules of origin provide a clear set of criteria that lay out what types of activities do not qualify under the rules of origin (e.g. simple packaging or labeling), as well as what costs may be counted toward the value-added. These costs include the cost or value of materials produced in the QIZ (or West Bank, the Gaza Strip or Israel) and the direct costs of processing (see text box).

The cross-firm evidence from Pakistan suggests that there exists adequate indigenous capacity to meet the proposed value-added requirement of 35% of the assessed value for a number of identified industries, as well as the “tariff shift” rules for textiles and apparel. However, in Afghanistan, the firms that were surveyed did not provide information reliable enough to estimate value added. The published sources reveal that the industrial sector in Afghanistan is at a nascent stage of development. The capacity of its industries to meet the specified rules of origin is confined to a limited number of sectors such as traditional handicrafts, carpets, marble, textiles and leather.⁴⁴ As a consequence of the general lack of infrastructure and inadequate skill levels, many of the resource-based industries use simple technology and, therefore, generate only minimal value added.⁴⁵

For Afghanistan, a value-added requirement in excess of 15%-20% of the assessed value may not provide Afghanistan producers the flexibility to choose the most efficient input source which often means that production capacities that could have had a substantial economic and development

⁴⁴ UNIDO Industrial Data, 2005

⁴⁵ See OTF Afghanistan Cluster Strategy-USAID).

impact are denied preferential access to the U.S. In some cases it may mean that investment in such capacities may not take place. When rules of origin prohibit the use of imported inputs they may force exporters to use materials of higher cost or lower quality, thus undermining their ability to compete in U.S. markets. However, the textile and apparel sectors, if using Pakistan inputs, could comply with tariff-shift rules of origin.

The aim of ROZ preferences is, of course, to stimulate exports and export diversification in Afghanistan and the frontier regions of Pakistan, and to encourage joint production wherever economically feasible, so as to provide a boost toward sustainable economic activity and alternative livelihoods for their workforces. However, given the differences in logistical and other competitive factors between Afghanistan and Pakistan, a uniform set of rules of origin is likely to tilt the balance in favor of Pakistan. Much of Afghanistan's industry would have difficulty to comply with a 35% value added rule of origin. Therefore, Afghanistan may need substantially liberalized rules of origin for much of its industry to benefit from the ROZ. However, the textiles sector, if using Pakistani inputs, could comply with normal rules of origin for textile products.

3.5 Afghanistan: Assessment of the Impact on U.S. Jobs and International Worker Rights

This section follows the methodology adopted for Pakistan providing a review of possible U.S. Agency for International Development (USAID) technical assistance to the Afghanistan ROZs under ADS 225, which establishes the policies and procedures to implement "Impact of Jobs in the United States" and Worker Rights in proposed ROZ designated areas.

The Table 23 below highlights summary findings of the three criteria adopted to assess the impact on U.S. Jobs and Worker Rights, defined in response to the above, (See Appendix for details) Figure 23. ADS 225 and Worker Rights: Afghanistan

Criteria	Findings
Is Afghanistan an attractive investment destination for U.S. firms, in general?	Afghanistan is becoming a less attractive investment location for U.S. companies primarily due the prevailing security situation, but lack of land titles, lack of basic utilities such as electricity and water, and the geographic distance from the U.S. that make Afghanistan an unattractive location for US investment
Are the types of product sectors targeted under the ROZs likely candidates for relocation from the United States?	Scale of U.S. industry and market potential scale of any existing of new investment in ROZ locations is such any ROZ based activities could not reasonably be expected to affect U.S. product prices. ROZ based exports are most likely to replace the exports from competitor countries such as Sri Lanka, China, Bangladesh (leading cotton based apparel exporters) and even factories in Karachi and Lahore.
Would employment-related activities that are likely to be associated with the ROZ result in a violation of the above workers' rights?	The current legislative framework does not have provisions that promulgate some relevant ILO Conventions concerning the freedom to form or join union and bargain collectively. While some leeway may be permitted to Afghanistan as an LDC, it should be noted that Afghanistan has not ratified the ILO Convention on minimum age for the employment of children. Therefore, the Government of Afghanistan will need to adopt appropriate legislation and enforcement procedures.

Chapter 4 Pakistan-Afghanistan ROZ Overview and Recommendations

Based on the foregoing analyses of the potential for ROZ development in Pakistan and Afghanistan, this concluding chapter lays out approaches for some fundamental aspects of the ROZ program: mechanisms for designating ROZ eligible locations, enterprises, and products; ROZ rules of origin; reducing transit trade costs; and the options for supporting the core ROZ tariff reduction mechanism with complementary support programs to maximize its economic and security impact.

Central to these issue areas is the assessment's conclusion that the ROZ tariff preference program, while potentially beneficial, does not in and of itself create sufficient incentives to dramatically transform the regional economies in the study area. The locational and security disadvantages inherent to these areas are considerable and, while difficult to price with accuracy, are in the same order of magnitude or greater than the potential gains through preferential access to the U.S. market. The ROZ's potential instead lies in being part of a broader effort to encourage economic cooperation between Afghanistan and Pakistan and to support industry within the study area to penetrate export markets – with a strong initial focus on regional markets that is coupled with a long-term goal of developing expanded exports to the U.S. This approach recognizes both that initial export volumes to the U.S. will be low, but that efforts to increase export competitiveness at both the origin and destination of an export consignment will be required to achieve the ROZs' strategic objectives.

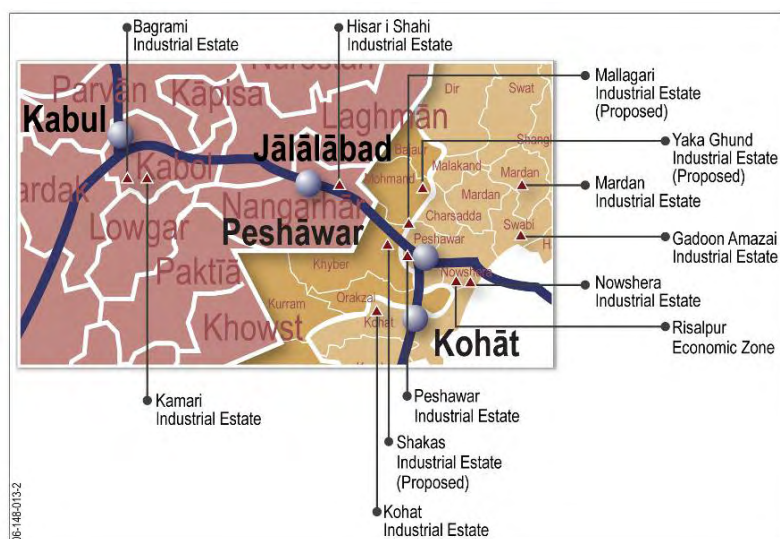
ROZ Designation

The study team made two general findings that relate to potential implementation of the ROZ program in the two countries. First, the study team determined that the ROZ focus area for the two countries forms a corridor extending from the Nowshera and Swabi districts on the east, through Peshawar and to Kabul on the west. This corridor offers the greatest opportunity to stimulate export related investment and industrial development in the near term.

As the ROZ program demonstrates results in the focus areas it can expand to other locations in the ROZ eligible territories including Balochistan and Earthquake Affected Areas as well as the other eligible locations within Afghanistan. Map 13 highlights the this combined focus area and the locations of the existing industrial estates.

The second finding was that the private sector should be extensively involved in the final selection of sites in the focus areas and suggest consideration of the selection process used in US sponsored QIZ program in Egypt. An area is designated as ROZ eligible and applications are accepted from the private sector for ROZ designation. In the case of the Egypt four broad industrial zones were created: **Greater Cairo** (including Giza, Shubra Al Kheima, Nasr City,

Map 13. Pakistan-Afghanistan Combined Focus Areas



10th Ramadan City , 15th May City , Badr City ,6th October City , Obour City , Kalyoub City and The industrial Area in Gesr El Suez), **Alexandria**, the **Suez Canal Area** (including :Port Said , Ismaillia and Suez), and the **Middle Delta** (including the governorates of: Gharbia , Dakahlya , Monofia and Dommiata).

The application procedure includes the following steps:

- A company submits a ROZ application and submit it with all the required supporting documents, such as the Tax I.D, the Industrial License, and the Commercial Register Number, and location details
- The application is reviewed by the ROZ administrative unit to ascertain that the company's production facilities are located within a ROZ eligible area
- The application is submitted to the Joint Committee, which could be comprised of representatives from Pakistan or Afghanistan and the U.S. Government (e.g. U.S, Trade Representative, Customs, etc). The Committee convenes at least once every three months and would review and approves applications that meet the location requirements.
- Applications can be approved via mail as an alternative to waiting for the Joint Committee to be held.
- Each ROZ factory (not company) would receive it own ROZ registration and I.D number even if they are all owned by the same company.

The Economic Rationale for the Broad Offer

While one of the objectives of this study is to identify the products that are mostly likely to benefit Pakistan and Afghanistan under the proposed ROZ program, due consideration should be given whether to adopt a positive or negative approach based on this list, or to allow unrestricted access in terms of product sectors. The QIZ program for Jordan and Egypt offers duty-free privileges for all products, provided that the rules of origin and other criteria for the approval of sites and plants are met. The simple economic rationale for such broad product coverage is that, while analyses such as the one contained herein can provide guidance on the likely products to generate economic benefits under the ROZ, it is mainly based on existing trade and production patterns, which can eventually change with the offer of new incentives, such as duty-free market access. While true for both countries, current trade and industry patterns in Afghanistan have evolved in a much distorted market and it is, therefore, not necessarily clear from current economic activities what may newly emerge with the ROZs. The Jordanian QIZs provide a good example of the potentially rapid development of new export sectors when incentives change. Prior to the QIZs, Jordan had a very limited apparel sector for export. With the introduction of the QIZ program, Jordan's apparel sector underwent a significant transformation, building capacity in new product categories to take advantage of duty-free access to the US market. If a positive or negative list were applied to the QIZs based on historic production and export patterns, it is unlikely that the QIZs would have had the same level of impact in Jordan.

ROZ Rules of Origin

Lower value added rules of origin may provide a greater stimulus to develop ROZ exports and, hence, to create jobs. The industrial sector in Afghanistan is at a nascent stage of development. Given the differences in logistical and other competitive factors between Afghanistan and Pakistan, a uniform set of rules of origin is likely to tilt the balance in favor of Pakistan.

Trade Transit Issues

The ROZ's goal of increasing cross-border economic cooperation and integration is likely to be hindered by the ongoing difficulties faced by the importers and exporters who must rely on transit movements from Kabul through to the Karachi port in Pakistan. Greater cooperation by the Governments of Afghanistan and Pakistan is needed to reduce transit trade costs, thereby enabling increased bilateral and international trade.

ROZ Support Program

There is a wide range of support programs that would enhance the competitiveness of export enterprises in the ROZ. While implementation of these programs will have to be agreed and coordinated among the governments of Afghanistan, Pakistan, and the international donor community, all of these measures will help to support and diversify the economic opportunities conferred by the ROZ program itself. Such programs could include:

- Target infrastructure development initiatives to improve power and transportation infrastructure in the focus areas.
- Expand and accelerate the development of industrial estates specifically geared to companies producing ROZ eligible products.
- Expand regional trade negotiations through such organizations as SAFTA to create greater opportunities to develop exports for the regional.
- Target export promotion and market access programs for ROZ eligible export-oriented industries.
- Target export finance support to overcome the current limitations of local financing mechanisms.
- Expand skills training in high-potential industries to reduce the cost of recruiting and training skilled labor.
- Upgrade quality standards in high-potential industries, especially agro-processing. While the study specifically highlighted the difficulties faced by Afghanistan in exporting its dried fruits and nuts to the U.S., given the potential benefits that could accrue to agro-processing industries on both sides of the border, target programs in Pakistan and Afghanistan to improve quality standards at the sector- and firm- levels to promote exports to the U.S. through the ROZ.

Appendix 1

Assessment of Industrial Estates

1. Northwest Frontier Province: Central

Mardan Industrial Estate Phases I and II

Location	Mardan, District Mardan,
Year Established	Phase 1--1975, Phase 2--1982
Land Area	90 Acres
Plot size	One acre, or multiple of one acre
Total Plots	900
Plots Allotted	316
Vacant Plots	327 plots vacant or facility closed down
Companies in Operation	36 (22 nearing completion of construction)
Companies Closed	unknown

Notes:

- Main industries--sugar, paper, cold storage, spinning mills and plastics
- Focused on small industries

Gadoon Amazai Industrial Estate

Location	Gadoon, District Swabi,
Year Established	1989
Land Acquired	1,116 (Acres)
Plot size	One acre, or multiple of one acre
Total Plots	323
Plots Allotted	323
Vacant Plots	61
Companies in Operation	62 (29 under construction)
Companies Closed	149

Notes:

- At its peak in 1994 150 companies were in operation in Gadoon Amazai IE
- Original incentives included tax holiday for 10 years, tax exemption on imported machinery and raw materials, 50% electricity rebate, below market rate 3% loans, and sales tax exemption for 8 years
- In 1987-88 USAID provided Rs 20m (\$286,000) for construction of infrastructure.
- By 2000 all of the original incentives had been withdrawn and by 2001 all of 55

- companies had closed down
- Internal road infrastructure remains incomplete
- Number of plots encumbered with deteriorating facilities from companies that have closed.
- Were told that companies currently operation in Gadoon would not locate there now due to the relative isolation of location
- Principal industries: plastics (19), chemicals (13), textile (12), paper sacks (5).
- The major textile companies generate their own power and at current cost of electricity it is in fact cheaper to self-generate power.

Risalpur Export Processing Zone

Location	Risalpur
Year Established	1998-1999
Land Area	92 Acres
Plot size	One acre, or multiple of one acre
Total Plots	137 (87 warehousing, 50 manufacturing)
Plots Allotted	all
Vacant Plots	
Companies in Operation	1 (and 1 under construction)
Companies Closed	8

Notes:

- Inconsistent administration of EPZ rules
- Well developed infrastructure and good access to major highway
- 11 KV special feeder line from Noshera grid but frequent power outages.
- Gas and water available

Noshera Industrial Estate

Location	Risalpur (adjoining Risalpur EPZ)
Year Established	1992
Land Acquired	108 Acres
Plot size	One acre, or multiple of one acre
Price of plot	Rs. 850,000 per Acre
Total Plots	80
Plots Allotted	all
Companies in Operation	28
Companies under construction	6
Companies Closed	0

Notes:

- Acquiring an additional 185 acres
- Although all of the plots are currently allocated many plots are vacant and probably available for resale
- Principal industries: light bulbs, plastics, metal fabrication

Jamrud Road Industrial Estate

Location	Town of Hayatabad near Peshawar on border of FATA
Year Established	1963
Total Land Area	868 Acres
Plot size	One acre, or multiple of one acre
Land Area for Development	718 Acres
Plots Allotted	all
Vacant Plots	16
Companies in Operation	208 (90 under construction)
Companies under construction	95
Companies Closed	127

Notes:

- Adequate power supply--few companies have back-up generators
- Most successful industrial estate among those surveyed
- Has labor colony--224 flats allotted
- Has own well system
- Few plots remain for development. Have plans for future expansion

2. Northwest Frontier Province: South

Kohat Industrial Estate

Location	Kohat, Dhoda Road
Year Established	1984-85
Land Acquired	40 Acres
Plot size	One acre, or multiple of one acre
Total Plots	350
Plots Allotted	150
Vacant Plots	unknown
Companies in Operation	2 (flour mill and gas bottling plant)
Companies under construction	0
Companies Closed	unknown

Notes:

- Poorly located and access road is inadequate
- Local business community recommend abandoning the estate and create a new one near the newly opened tunnel on the Indus Highway
- No water to site and limited power availability

D.I.Khan Industrial Estate

Location	D.I. Khan-Multan Road, 19 Km for city
Year Established	1991
Land Acquired	189 (Acres)
Plot size	One acre, or multiple of one acre
Total Allotable Area	169 acres
Plots Allotted	1 (59 acres)
Vacant Plots	110 acres
Companies in Operation	1 (National Logistics Cell Corporation)
Companies under construction	
Companies Closed	

Notes:

- Appears to be a failed venture with no companies currently in operation.
- However, there appears to be roads, water and power at the site
- Only one company in operation National Logistic Cell Corporation
- No other industry has been established there.
- It was declared at the time of its inception a special incentive zone, but those incentives were withdrawn prematurely, rendering this estate almost dead.
- Two groups have expressed their interest in establishing but no deposits have been made;
 - 1) a date processing unit and;
 - 2) a pharmaceutical unit
- As regards infrastructure, roads, power and drainage are available at the DIK Industrial estate.

Bannu Industrial Estate (proposed)

Location	Near Bannu Airport
Year Established	
Land Acquired	Not yet acquired
Plot size	
Total Plots	
Plots Allotted	
Vacant Plots	

Companies in Operation

Companies under construction

Companies Closed

Notes:

- Project proposed by the current NWFP Governor who is from the Bannu region
- Located in an area of high security risk

Bannu Small Industries Estate (at Bannu junction on Indus Highway)

Location	On Indus Highway 20 Km from Bannu
Year Established	
Land Acquired	20 acres (approximately
Plot size	
Total Plots	unknown
Plots Allotted	unknown
Vacant Plots	15 acres vacant--estimated
Companies in Operation	3 or 4 from visual observation
Companies under construction	
Companies Closed	

Notes:

- A small industries estate
- Has location close to Indus Highway, Unclear why it has not developed
- Home of a vocational training center specialized in leather work and engine repair.

3. FATA--Khyber Agency and Mohmand Agency

Sharkas Industrial Estate (proposed)--Khyber Agency

Notes:

- One of the two industrial estates proposed by the FATA Secretariat
- Proposed location is about 5 km northwest from Jamrud Industrial Estate
- Unclear why this particular location was chosen--vacant land all around
- Khyber Agency Political Agent optimistic about ability to negotiate land deal with the tribe.

Mullagori Industrial Estate (proposed)--Khyber Agency

Notes:

- One of the two industrial estates proposed by the FATA Secretariat

- Proposed location is about 15 km north of Jamrud town near the Kabul River
- Location proposed because it is along the alignment of a proposed for an expressway between Peshawar and Landi Khotal.
- Land has not been acquired for this alternative alignment
- Not a practical location in the near term

Yakaghund Industrial Estate (proposed)--Mohmand Agency

Notes:

- Center of the marble tile making industry for the area. Raw material comes from mines in both Mohmand and Bajour.
- Over 200 producers of marble products in the area
- Yakaghound has a reasonably reliable power supply but water is in limited supply
- Border dispute beginning in 1999 with the adjoining district of Charsidada has led to non-payment of electric bills and WAPDA has retaliated by cutting supply to the area. Unfortunately the area was the home of over 150 marble producers who have had to shut down due to lack of power.
- These producers would be very interested in relocating to Yakaghound if a fully serviced industrial estate was created.

4. Earthquake Affected Area--Mansehra and Muzaffarabad Khyber Agency and Mohmand Agency

Mansehra Small Industrial Estate.

Notes:

- Isolated location with poor road access
- Located about 3 km off of the Korakorum Highway
- Not large and appears to be the home of mostly warehousing with one exception--a ceramics factory producing for the local market.
- Limited potential for ROZ

Muzaffarabad Industrial Estate.

Notes:

- Located on fault line and completely destroyed in the earthquake
- Prior to the earthquake the industrial estate had 35 operating companies 20 wood carving units, 1 food processing unit, 1 small arms manufacturing, 1 ceramic tiles unit, and 1 steel unit
- Only 3 wood products/furniture companies have rebuilt. City officials do not expect other companies to follow.
- City in the process of acquiring land away from the fault line for new industrial estate
- Road access difficult to area
- Power and water are in adequate supply

5. Baluchistan

Quetta Industrial and Trading Estate.

Location	13 km from Quetta
Year Established	1986-87
Land Acquired	Unknown
Plot size	
Total Plots	160
Plots Allotted	unknown
Vacant Plots	
Companies in Operation	Approximately 20% of the estate is occupied or allotted
Companies under construction	
Companies Closed	

Notes:

Quetta Small Industrial Zone

Location	Girki Road
Year Established	1960
Land Acquired	50 acres
Plot size	
Total Plots	250
Plots Allotted	unknown
Vacant Plots	
Companies in Operation	2
Companies under construction	
Companies Closed	

Notes:

-

Appendix 2

Notes on ROZ Eligible Areas

1. NWFP--Central

Basic Facts:

Total Population of NWFP 19.63 million
Total population of Peshawar, Mardan and Noshera Districts--4,870,000
Literacy Level of NWFP 35.41%

Source--NWFP website

Notes from Interviews and Secondary Sources

Peshawar and Mardan (Kohat?)

Several established industrial estates
Electricity costs--power grid in place
Use of generator due to cost of power
Truck time to Karachi--3 days
Power outages frequent in Gadoon in Mardan Dist. but not an issue in Jamrud in Peshawar Dist.
Rail to Peshawar/Mardan
Infra well developed
Water non-issue--Tarbella Dam
Double freight cost
A few established local industries with export potential
A few textile manufactures but mostly in thread spinning
Cell coverage reasonable good
Mineral resource availability--marble and granite as well as gems and semi-precious stones for the jewelry industry
Peshawar to Karachi 1,700 km

2. NWFP--South

Basic Facts:

Total Population of NWFP 19.63 million
Total population of Kohat, Bannu, and DI Khan Districts--
Literacy Level of NWFP 35.41%

Notes from Interviews and Secondary Sources

Kohat

Power--national grid good for major cement plant but not reliable elsewhere
Although rail is available trucks are cheaper and more reliable than rail
Export Afg

Bannu and DI Khan

Rail--nearest in Kohat
No gas--nearest in Kohat
Road access good--16 hours to Karachi
Power--lots of fluctuations--requires back-up generators
Airport established but no flights
Road access to Afg through Miram Shah in Waziristan
Lucky Cement plant--Lucky Marwat--owned by Saif Group

3. FATA--Khyber and Mohmand Agencies

Basic Facts:

Total Population of FATA- estimates range from 3.14 to 5.7 million (1998)
Total population of Khyber and Mohmand Agencies--881,000 (1998)
Literacy Level of FATA- estimates range from 5.9% to 17.42%

Notes from Interviews and Secondary Sources

It is the most impoverished region of Pakistan

According to a 2001 WHO report, nearly 50 per cent of tribesmen are living in abject poverty, 75 per cent have no access to clean drinking water and infant and maternal mortality rate is very high.

"FATA have a separate legal system, the Frontier Crimes Regulation, which recognizes the doctrine of collective responsibility. Authorities are empowered to detain fellow members of a fugitive's tribe or to blockade a fugitive's village, pending his surrender or punishment by his own tribe. Tribal leaders are responsible for justice in the FATA. They conduct hearings according to Islamic law and tribal custom. The accused have no right to legal representation, bail, or appeal. The usual penalties consisted of fines. Federal civil servants assigned to tribal agencies oversee proceedings and may impose prison terms of up to 14 years."

Security--absence of law--Jirga system only for local disputes

Outside investors would require local partners

Issues raised by business community

- Lack of skilled labor

- Security

- Power availability (50% outage)

- Availability of raw materials and cost of transport

- Difficulty in getting US visas

- Want guarantee the product will be bought if quality standard met

- Suggest that trade delegations be taken to the US to get better understanding of US market

Karachi to Landi Kotal 1,756 km

4. Earthquake Affected Area

Basic Facts:

AJK-Muzaffarabad:

The AJK government estimates that only 12% of the population is urban. The earthquake damaged large parts of three (3) of AJKs six (6) Districts: Muzaffarabad, Bagh and, to a lesser degree, Poonch. In these areas Muzaffarabad, AJK's Capital, is one of its two largest cities, the other being Mirpur. These cities had about 100,000 inhabitants each before the quake. Bagh town had about 20,000 inhabitants and Poonch had about 40,000 inhabitants.

The following data is from the AJK website:

District	Area (Sq. Kms)	Population (Millions)		Density Persons/Sq. Km	Growth Rate	House Hold Size
		1998	2002			
Muzaffarabad	6,117	0.746	0.833	136	2.80%	7.1

NWFP--Mansehra

According to the 1998 census, Mansehra District had an estimated population of 1,125,000 in an area of 4579 sq. km. The population is probably considerably higher now as annual population growth rate is above 2.0 %. Mansehra city had around 60,000 inhabitants, and there were twelve towns with between 10,000 and 15,000 inhabitants. Most of these towns are concentrated in the southeast portion of the district.

Notes from Interviews and Secondary Sources

Only two areas within EAA with industrial development potential
Limited industrial estates--Mansera small industry and most warehousing. Found one ceramic cup factory catering to local market

Muzaffarabad-- Industrial Estate completely destroyed in earthquake. 2 companies have rebuilt. City acquiring land for new estate.

5. Baluchistan--Quetta district

Basic Facts:

Notes from Interviews and Secondary Sources

2000 Drought
Train Chaman
Insurgency Stats
Industrial Estates Status--zippo
Primarily a trading center--Asghar will get stat
Quetta--Taftan Iranian border 603 km
Major incidence

Appendix 3

**People Interviews by the ROZ Study Team
Pakistan**

	Name	Position	Organization	Sector	Industry	Location
Private Sector						
	Mr. Saifi Chaudhry	President,	Pakistan Food Processors Assoc.	private	food processing	Lahore
	Mr. Saifi Chaudhry	Chief Executive,	Shezan International	private	food processing	Lahore
	Mr. Arshad Alam	Chairman,	Leather Connections	private	leather	Lahore/Khi
	Mr. Babar Agha	Chairman,	Highnoon Textile Mills	private	textile	Lahore
	Mr. Khurshid Alam	Chairman,	Pakistan Tanners Association	private	Leather	Lahore
	Shahzada Alam Monnoo	Chairman,	Monnoo Group of Companies	private	textile	Lahore
	Mr. Shahid Abdullah	Chief Executive,	Sapphire Group of Companies	private	Textile	Lahore
	Mr. Aamir F. Sheikh	Managing Director,	Kohinoor Textile	private	textile	Lahore
	Mr. Awais Mazhar Hussain	Chief Executive,	Angora Textile	private	textile	Lahore
	Mr. Ikram Ellahi	Chief Executive,	Pakistan Fruit Juice Company	private	Fruit juice	Lahore
	Mr. Shahzad Saleem	Managing Director,	Nishat Group of Companies	private	textile	Lahore
	Syed Jawad Ahsan	Chief Executive,	Irfan Textiles	private	garment	Lahore
	Shafqat Ellahi Shaikh	Chairman,	All Pakistan Textile Mills Assoc.	private	textile	Lahore
	Anis ul-Haq	Economist	All Pakistan Textile Mills Assoc.	private	textile	Lahore
	Mohsin Syed	Chairman,	Punjab Industrial Estates	private	land dev.	Lahore
	Enr. Sohail Lashari	E. C. Member	Lahore Chamber of Commerce	private		Lahore
	Younas Shaikh	E. C. Member	Lahore Chamber of Commerce	private		Lahore

	Javed Saifullah Khan	Chairman,	Saif Group	private	textile	Islamabad
	Osman Saifullah Khan	Chief Executive,	Saif Group	private	textile	Islamabad
	M. Younis	Chief Executive,	Awal Khan & Sons	private	furniture	Peshawar
	Ghazanar Bilour	President,	Sarhad Chamber of Commerce	private	land dev.	Peshawar
	Farhat Ali	Director Technical	Saif Textiles Mills	private	textile	Gadoon
	Khalid Aziz	Senior Partner	K&P Consultancy	private	services	Peshawar
	Qaseem Siddiqui	General Manager	Kohat Cement	private	cement	Kohat
	Khalid Kuli Khan Khattak	Senior Executive Mktg	Babri Cotton Mills	private	textile	Kohat
	Ihsan Ullah Khan	Executive Member	Tribal Areas Chamber of Commerce	private		Peshawar
	Muhammad Akbar Khan	President,	Tribal Areas Chamber of Commerce	private		Peshawar
	Haji Tamash Khan	Vice President	Tribal Areas Chamber of Commerce	private		Peshawar
	S. Taimoor Banuri	Secretary	Tribal Areas Chamber of Commerce	private		Peshawar
	Fazli Amin	President,	Gadoon Chamber of Commerce	private		Gadoon
	Anwar Khan	Vice President	Charat Paper Sack	private	paper	Gadoon
	Haji Ghafoor Khan Jadoon	Fmr Provincial Minister of NWFP	representing Salar Steel Mills	private	steel	Gadoon
	Zahid Shah	Director	Royal Textiles Mills	private	textile	Gadoon
	Liaqat Khan	Director	Meezan Textile Mills	private	textile	Gadoon
	Wiqar Ahmed Khan	Director	Gadoon Textile Mills	private	textile	Gadoon
	Imtiaz Khan	Director	Friends Glass Inc	private	glass	Gadoon
	Nasir Khan	General Manager	Gadoon Paper Sack	private	paper	Gadoon
	Rana Sahid	General Manager	Visonite Ind	private	??	Gadoon
	Sher Ali Khan	General Manager	M/s Dye Chemicals	private	chemicals	Gadoon
	Ayaz Khan	General Manager	M/s Mehran Foam	private	foam	Gadoon

	Mukhtiar Khan Tarar	General Manager	M/s Sardar Chemicals	private	chemicals	Gadoon
	Mian Farooq	General Manager	M/s Syntrol Ltd	private	??	Gadoon
	Muhammad Sarwar Khan	General Manager	M/s Royal Textile Mills	private	textile	Gadoon
	Sami Ullah Khan	Deputy GM	Kashmin Polytex	private	??	Gadoon
	Saeed Khan	Manager	Pakistan Mineral Water & Bottling	private	beverages	Gadoon
	Khalid Kuli Khan Khattak	Senior Executive Mktg	Bannu Wollen Mills	private	textile	Bannu
	Hidayat Ali	Accountant	Ali Associates	private	services	Peshawar
	Nauman Wazir	Chief Executive,	Frontier Foundry/Master Marble	private	Marble	Peshawar
	Ibrahim Shinwari	Importer/Exporter		Private	glass/kitchenware	Landikotal
	Asghar Shinwari	owner		Private	Real Estate/telecom distribution	Landikotal
	Khan Wali	Importer/Exporter		Private	Import/Export	Landikotal
	Raza Shah Affridi	MD		Private	Cigarette manufacturing	Landikotal
	Malik Amrit Shinwari	MD		Private	Trading - Oil Supplier/Importer	Landikotal
	Ayub Affridi	Partner		Private	Appliance importer (also assembly/manufacturing but not currently in FATA)	Landikotal
	Muhammad Shah Affridi	Partner		Private	Appliance importer (also assembly/manufacturing but not currently in FATA)	Landikotal
	Haji Bahadur Affridi	Trader		Private	Import/Export	Landikotal
	Qabul Sher	Trader		Private	Trading - Oil Supplier to forces	Landikotal

	Dr. Yusuf Shah	Mine Owner/Agency Surgeon	Mohmand Marble Factory	private	Marble	Yakaghund
	Nisar Mohammad	Mine Owner		private	Marble	Yakaghund
	Shahid R. Khan	Mine Owner/Director PASDEC	Pakistan Marbles	private	Marble	Yakaghund
	Noor Hashim Khan	Director Processing Unit		private	Marble	Yakaghund
	Mohammad Ali	Processing Factory Owner		private	Marble	Yakaghund
	Zahir Shah	Processing Factory Owner		private	Marble	Yakaghund
	Fida Muhammad	Processing Factory Owner		private	Marble	Yakaghund
	Rahim Shah	Factory Owner		private	Marble	Yakaghund
	Misal Haji	Factory Owner		private	Marble	Yakaghund
	Afsal Khan	Mine Owner		private	Marble	Yakaghund
	Afzali Khan	Mine Owner		private	Marble	Yakaghund
	Ilyas Khan	Mine Owner		private	Marble	Yakaghund
	Malik Hanif	Factory Owner		private	Marble	Yakaghund
	Muhammad Saeed Safi	Factory Owner		private	Marble	Yakaghund
	S. Amjad H. Jafri	CEO	Glacier Foods	private	Food	Lahore
	Akhtar Hussain Chaudhry	CEO	Fresh Juices Limited	private	Fruit juice	Lahore
	Tayyab Aijaz Qureshi	CEO	Roshan Packages (Pvt) Ltd.	private	Packaging	Lahore
	Hakeem Muhammad Usman	CEO	Marhaba Laboratories	private	Health Food Products	Lahore
	Shahzad Younas	Partner	Taiba Model Jewellers	private	Gems & Jewellery	Lahore
	Riaz Khan	Owner	Peshawar Furniture	private	Furniture	Peshawar
	Pervez Elahi Malik	CEO	Malik Gems International	private	Gems & Jewellery	Peshawar
	Maqbool Illahi	owner	Mohkam Furnishers	private	Gems & Jewellery	Peshawar

	Kamal-Ud-Din Ahmed	Chairman	Sika (Pvt) Ltd.	private	Horticulture	Quetta
	Mohammad Kazim Khan	CEO	Mohammad Kazim & Brothers	private	Horticulture	Quetta
	Ishfaq Khan	Proprietor	Balochistan Marbles	private	Marble	Quetta
	Ghulam Sabir	President	Pakistan Mine Owners Association	private	Minerals	Quetta
	Tahir Ahmad Khalif	Ex-President	Quetta Chamber of Commerce & Industry	private		Quetta
	Mohammad Iqbal	Director Marketing	Mehran Spice & Food Industries	private	Spices	Karachi
	Tauseef Razzak	General Manager	Ideal (Pvt) Ltd.	private	Leather	Karachi
	Nafees Sultan	Managing Director	Rajby Industries	private	Textile	Karachi
	Asifa Nabeela	A.N. Enterprise	A.N.Enterprise	private	General Trading	Karachi
	Shafi Choksy	President	Society Jewellers Welfare Association	private	Gems & Jewellery	Karachi
	Safia Bano	Proprietor	Ladies Choice	private	Gems & Jewellery	Karachi
	Dawood Usman	CEO	D.J Corporation	private	Textile	Karachi
	Asad Wahid	Director Operations	Pakistan Chery Automobile (Pvt) Ltd.	private	Automobile	Karachi
	Khalid Aziz	Proprietor	Sagar Gems	private	Gems & Jewellery	Karachi
	Chaudhry M. Saeed	President	The Federation of Pakistan Chamber of Commerce & Industry	private		Karachi
Public Sector						
	Syed Asif Shah	Secretary	Commerce	government		Islamabad
	Mr. Ashraf Khan	Senior Joint Secretary	Ministry of Commerce	government		Islamabad
	Mr. Zameer Akram	Additional Secretary	PM Secretariat	government		Islamabad
	Mr. Shahid Kamal	Additional	Ministry of Foreign Affairs	government		Islamabad

		Secretary				
	Mr. Ahmad Jawad	Additional Secretary	Economic Affairs Division	government		Islamabad
	Mr. Tariq Bajwa	Joint Secretary	Ministry of Industry	government		Islamabad
	Mr. Teepu Mahabat Khan	Joint Secretary	Ministry of Textile Industry	government		Islamabad
	Mr. Shahid Bashir	Joint Secretary	Ministry of Commerce	government		Islamabad
	Mr. Jamshid Khan	Joint Secretary	Ministry of Commerce	government		Islamabad
	Mr. Shaukat Ali Khan	Deputy Secretary	Ministry of Commerce	government		Islamabad
	Niaz Muhammad Khan	Section Officer	(NA/ME)	government		Islamabad
	Dr. Shaukat Hameed Khan	Member	Planning Commission	government		Islamabad
	Dr. Asad Ali Shah	Member	Planning Commission	government		Islamabad
	Dr. Mohammad Afzal	General Director	Nat'l Agriculture Center	government		Islamabad
	Nasir Mahmood	Joint Secretary	M/o Food and Agriculture	government		Islamabad
	Muhammad Ismail Qureshi	Secretary	M/o Food and Agriculture	government		Islamabad
	Muhammad Idress Ahmed	Textile Commissioner	M/o Textile Industries	government		Islamabad
	Abdul Sattar	Deputy Chief	Planning and Development Division	government		Islamabad
	Dr. Muhammad Aslam	Commissioner	M/o Food and Agriculture	government		Islamabad
	Abdul Khalid	Secretary	NWFP M/o Industries, Commerce, Labour Mineral Development	government		Peshawar
	Ihsan Ullah Khan	Chairman	Marble and Granite SWOG	government		Peshawar
	Main Farooq Iqbal	Director General	NWFP Directorate of Gen Mines & Minerals	government		Peshawar
	Shuja-uddin Siddiqui	Director General	Export Promotion Board	government		Peshawar
	Muhammad Tariq	Provincial Chief	SMEDA	government		Peshawar
	Ishaq Ahmad Afridi	Management Assoc	SMEDA			
	Talat Rasheed Miyan	Exec Director General	Board of Investements	government		Islamabad

	Ashfaq Khan	Director General	Debt Office M/o Finance	government		Islamabad
	Muhammad Saleem Raniya	Director- Islamabad	Export Promotion Board	government		Islamabad
	Rafiq Qureshi	Deputy Director	Export Promotion Board	government		Islamabad
	Mohammad Yousef	Addn'l Chief Secretary	AJK-Planning and Development	government		Muzaffarabad
	Mr. Khizer	Chief Conservator	AJK-Forestry Dept	government		Muzaffarabad
	Zahid Amin	Administrator	Muzaffarabad Municipal Corp	government		Muzaffarabad
	Syed Ali Asghar Shah	Deputy Director	AJK- Dept of Industries & Comm.	government		Muzaffarabad
	Shakeel Quadir	District Coordinator	AJK--	government		Mansera
	Abdul Hameed Awan	General Mgr- Planning	Sarhad Development Company	government		Peshawar
	Muhammad Amin	Manager-Jamrud IE	Sarhad Development Company	government		Peshawar
	Sohail Akhtar	Chief Engineer	Sarhad Development Company	government		Peshawar
	Auranzeb Zeb Qureshi	Dep Manager	Risalpur EPZ	government		Risalpur
	Kazim Niaz	Secretary	FATA- Planning and Development	government		Peshawar
	Ghaus-ur Rahman	Dep. Director	FATA- Planning and Development	government		Peshawar
	Shahab Khawaja	CEO	Small & Medium Enterprise Development Authority (SMEDA)	government		Lahore
	Sultan Tiwana	GM - B&SDS	SMEDA	government		Lahore
	Bakhtiar Khan	Provincial Chief Balochistan	SMEDA	government		Quetta
	Muslim Raza	Manager	SMEDA	government		Karachi
	Dr. Tashfeen	Political Agent	FATA Secretariat	government		Khyber Agency
	Dr. Jamal Nasir	Political Agent	FATA Secretariat	government		Yakaghund
	Amjad Ali Khan	Assistant Political	FATA Secretariat, Lower	government		Yakaghund

		Agent	Mohmand			
	Humayun Khan	Geologist	FATA Secretariat, Lower Mohmand	government		Yakaghund
	Nasrullah Khan	Dy. Director Minerals	FATA Secretariat, Lower Mohmand	government		Yakaghund
	Hazrat Hussain	Industrial Specialist	FATA Secretariat, Lower Mohmand	government		Yakaghund
NGO and Other						
	Rex Alamban	Field Ops Officer	IOM			
	Alexandra Causton	Head of Programming	CRS			
	Jules Lang	Program Director	Mercy Corp			Islamabad
	Dr. Warren Weinstein	County Director	J.E. Austin			Islamabad
	Amer Durrani	Director-Infra Unit	World Bank			Islamabad
	Ayaz Parvez	Infra Specialist	World Bank			Islamabad
	Syed Irtiqa Zaidi	National Consultant	UNDP			Islamabad
	Khalid Sultan Khawaja	Ex-Office Chairman	Gems & Gemmological Institute of Pakistan			Peshawar
	Ali Naqvi	Associate Director	Institute for Development Studies and Practices (IDSP)			Quetta
	Dr. Kher Mohammad	Consultant			Horticulture	Quetta

Appendix 4

Pakistan Industrial Capacity Assessments

Notes from interviews and survey

1. Capacity assessment for Leather sector

The Leather and leather-based industries contribute approximately 1% to Pakistan's GDP/ national economy. Other details of the sector are:-

Share of leather sector in exports	7%
Share of leather sector in manufacturing GDP	5%
Share of leather sector in employment	200,000 persons

Globally, the leather sector's exports in 1998 were close to US\$ 50 billion:

Leather Foot wear	\$ 21.9 billion
Leather (Hides & Skins)	\$ 11.9 billion
Leather Goods (Bags, Wallets, Briefcases etc)	\$ 5.7 billion
Leather Garments	\$ 3.6 billion
Leather Gloves	\$ 0.9 billion

By 2010 the global market will expand to US \$ 55 billion.

Present Position in Pakistan

Manufacturing units in the organized sector 400 +

Total Capacity:

	50 million pairs + 120 million pairs in unorganized sector.
1. M/S Bata Pakistan Ltd.	20 million pairs per annum
2. M/S Servis Shoes Ltd.	14 million pairs per annum
Consumption estimates	160 million pairs.
Pakistan's market share in the World	1.4% (\$ 600 million)
Pakistan's ranking in World market	20th
Overall Growth rate of the industry	11%

- Markets

lack of substantial market linkages between PK producers and international buyers

Small producers lack subcontracting relationships with larger producers

GLOVES: 90% exported – 2nd largest exporter (10%) after China (47%) {PK Leather gloves mfg & exporter assn}

FOOT exported regionally to lower end markets

Production forecasts:

Year 2000		Low Road	High Road
Leather Goods	\$ 8 million	\$ 35 million	\$ 100 million
Leather Gloves	\$ 109 million	\$ 150 million	\$ 180 million
Finished Leather	\$ 170 million	\$ 200 million	\$ 350 million
Leather Garments	\$ 298 million	\$ 400 million	\$ 600 million

- Technology

All: 1) finished leather, 2) cutting, 3) stitching (for shoes: assembly, lasting, sole attachment),4) finishing

All: most small producers using old machinery

Lack of information on designs (market trends)

GLOVES – quality to compete with China

- Manpower/management

General lack of skills at all levels of production

Lack of proper training facilities

On the Job training - apprenticeships

FOOT: Footwear Training Institute – Charsadda

Safety issues for ill-trained employees

- Raw Materials

Good availability of cow leather, considered to be of high quality

Leather is tanned at dedicated facilities, and also as part of the manufacturing process

Accessories available locally, some buttons, zippers, clasps, etc imported from China

Issue related to exporting great amounts of split leather leaving a scarcity of the raw material for local production

Raw materials procured from Afghanistan in raw (only salted) state

- Finance

Lack of financing facilities for most (small producers) in the sector

Some supplier credit arrangements

General lack of accounting, to include accurate costing and pricing

- Operating Environment

Medium/larger production mainly in urban areas due to need for consistent power

GLOVES: Rebate 7.34% on FOB value of exports
No duty and sales tax on imported equipment

No income tax for exporter (Gloves, others?) must pay .75% export revenue turnover tax, and .25% export development surcharge {SMEDA}
FOOT: Rebate 12.54% - non-leather soles

B. Summary of competitiveness

Several sector specific constraints and opportunities could affect competitiveness. Among these, the lack of training facilities that teach up-to-date methods is the most prominent. Most producers have been trained via apprenticeships and have little understanding of new production methods and styles. Another problem is that most SMEs use out-dated machinery and are unable to access funding for replacement. Additionally, there is a lack of awareness of markets by many smaller firms. There may be an opportunity for clustering among small firms to benefit from bulk buying of raw materials, sharing of technology, and collaborative marketing. Further, this is a growing sector with potential for servicing many new markets both domestic and international. Lastly, good availability of indigenous leather, experienced tanning industry, and lower labor cost with major activity in Lahore, Karachi, Hyderabad, Faisalabad, and Sahiwal affect competitiveness.

2. Capacity assessment for Marble Sector

- Markets

3% of 27% extracted 50% exported unprocessed and 50% waste

Est. Int'l trade 2 million tons

97% of 27% extracted for local processing – 5% slabs, 50% tiles, 45% waste

Quarries and processing located in FATA, NWFP, Baluchistan (re: ROZ targets)

Proposed PASDEC technology enhance program targeting a net 57% waste (J.E. Austin)

Products: Blocks, Tiles, slabs (strips)

Production steps: cutting, polishing

Purest marble: statuary (white with crystalline structure). Mineral impurities add color – in PK green, pink, beige, black. Considerations: color, pattern, grain size (different markets prefer different colors, etc.)

LOCATIONS:

Quarries – FATA, NWFP, Baluchistan

Processing – NWFP

- Technology

Problems with extraction method at quarries – blasting

No material testing No product grading

Lack of geological mapping

Problems with processing – outmoded machinery

Currently low processing capacity

Infrastructure is an issue for the sector due to the weight/volume of both raw materials and processed products – this relates mainly to transport, water and electricity. Technology is, for the most part, out of date and contributes to both wastages and poor quality at both quarry and processing

- Manpower/management

Availability of low-cost labor at quarries and processing sites

Lack of skilled labor at processing level

There is medium employment potential at both the quarry and processing levels of the value chain, with traditional and mostly outdated skills.

- Raw Materials

Year-round extraction (transport can be a problem during rainy seasons)

Large deposits of superior stone throughout PK

This sector scores high for the raw material criteria as Pakistan is reported to have huge deposits of superior quality stones in a variety of marketable colors and patterns. The sector does currently export, but it is mainly blocks of unprocessed blocks. There is, though, a tiles and slabs being exported for construction purposes with Afghanistan being the main market.

- Finance

Typical problems with securing of funds at both quarry and processing levels due to view of activities as not being cost-effective (low technology) and high risk (security issues).

- Operating Environment

J. E. Austin PASDEC program – plans for major support to the sector

Mines in remote areas – roads

Need for power and large amounts of water for processing

B. Summary of competitiveness

Net waste up to 85% (quarry, transport, processing)

Inefficient extraction and processing techniques

Large deposits of superior quality stone

Increased use in construction industry worldwide.

World market is large as more is being used for both construction and decorative products

Afghan market is the largest market for the marble processors due to the inability of the Afghans to provide slabs, and tiles for their construction industry.

3. Capacity Assessment for Gems/Jewelry Sector

- Markets

- Annual exports of gems& jewelry from Pakistan usually hover between US\$ 25 to 30 million. Last year, it dropped by almost 30%. Total Global trade is US\$ 84.4 billion.
- Major buyers are Hong Kong, USA, UK, Netherlands, Thailand, Germany, India and UAE
- 75% of exports = Rough Stones
- The price difference between an uncut and cut and polished colored gemstone which to be 1:30 in not too distant past has now increased up to 1:100 in some cases in recent years due to improvement in cutting and polishing techniques as well as because of artificial enhancement of colors.

- Technology
 - o Traditional and hazardous ways of mining, resulting into huge wastage (around 65%). Quality and Quantity both suffer. Systematic evaluation and scientific mining is needed.
 - o Local-made reversed engineered equipment (old and obsolete) being used for gem cutting and polishing. Also, it is done on a very limited scale.
 - o Internationally, the gem industry has undergone a major qualitative change during the last two decades. These changes relate mainly to new techniques in cutting and polishing including using laser beam; artificial enhancement of color and production of synthetic gems and stimulants. These international level initiatives are needed. Suitable gemological centers are also required. .
- Manpower/Management
 - o About 30,000 people are involved in the gemstone trade including cutting and polishing.
 - o About 500 cutting and polishing units are in operation at Peshawar, Lahore and Karachi
 - o Lack of expertise in precision and calibrated cutting and polishing. Traditional mining.
- Raw Materials
 - o Deposits exist in the northern region of Pakistan, including Mardan, Swat, Hazara, Mohmand Agency, Bajaur Agency, Malakand Agency, Chitral, NWFP Northern Areas (Gilgit etc), and Kashmir. Huge resources are still untapped.
- Operating Environment
 - o Cumbersome procedure of acquiring leases
 - o Lack of advisory services to the lease operators
 - o Lack of effective regulatory and institutional framework
 - o Support Available: EPB, All Pakistan Commercial Exporters Association of Rough & Unpolished Precious & Semi Precious Stones (APCEA). Other associations include All Pakistan Gem Merchant & Jewelers Association, and Gemstone Promotion Committee. A Public/Private sector development company – Pakistan Gems & Jewelry Development Company (PGJDC).

B. Summary of competitiveness

First, inefficient mining techniques result in the loss of many gems. Gems that do survive blasting are prone to striations that could lessen their value. Second, overall, the sector is not well organized. Mining is done inefficiently, collection is not regular, processing is limited and much of the value addition takes place outside of Pakistan. And third, cutting and polishing activities utilize outdated methods and very crude lapidary equipment resulting in sub-standard finishing of gemstones.

4. Capacity Assessment for Wood Furniture Sector

Markets

- .036 share of total global market valued at US \$10 million (2004, UN Int'l. Trade Statistics – SITC)
- 12% of US imports of furniture from Pakistan

- slowed growth rate for the sector in Pakistan
- image issue related to Pakistan as a countries and thinking that Pakistan is not capable of producing quality of world standards
- lack of awareness of markets and market trends (both domestic and int'l) – no regular sources of information on markets available to the average producer
- lack of understanding/practice of int'l standards. Very few operate under clear and regular policies and procedures

Technology

- Use of old machinery
- lack of seasoning by many causes lessening of quality. Environmental seasoning (drying in the sun – also affected by rain) can take 6 to 10 years – other techniques: vacuum system, boiler system much quicker but costly and usually not affordable by the average SME
- old methods of polishing and finishing lessens quality – lack of modern chemicals and finishing tools
- lack of modern design technologies – still mainly traditional designs that are ornate and marketable mainly to Middle Eastern countries. New designs could probably be adapted, but specifics of designs are not known.
- training and support institutions limited – small facilities in Gujrat, Peshawar, and Karachi

Manpower/management

- The main categories of carpenter employees are: supervisor (master craftsman), carpenter, polisher, painter, unskilled help.
- All interviewed learned their skills “on-the-job” usually through an unstructured and incomplete apprenticeship system. Most employees learn all aspects of the job, except for the finishers/detailers such as the “in-lay” artisans.
- There is a shortage of skilled manpower due to the lack of good training institutions. Many are trained, only to leave for better, or different, positions - which is a financial burden for the owner.
- World Bank (2005) reports that there are 100,000+ workers in the sector
- Traditional craftsmanship not being propagated. The skills are being diluted and true tradition is gradually being lost.
- Need stronger management structure for businesses. There is a lack of proper management, e.g., financial, marketing, HRM, R&D, etc.

Raw Materials

- Wood, nails, screws, glue, lacquer, sealers – all locally available
- natural forest 3.10% of total land area (main forest: changa manga) in the northern part of the country
- Shortage of rosewood (high quality wood used for most exports) due to: depletion, use as fuel, and no re-plantation. There have been plans to rectify the situation, but nothing has begun.

Finance

Most producers are relatively small and not deemed a good risk by commercial lenders

Lack of adequate accounting practices

C. Summary of competitiveness

Wood stocks are rapidly depleting. The rosewood is not being re-planted and is therefore in danger of being totally consumed. There are plans to rectify the situation, but no real action to date. Slowed growth rate may be attributed to lack of marketable designs. The entrepreneurs state that they have no knowledge of marketing trends and targets for new markets. There are problems with treatment of wood, traditional sun drying modes can take years, while new methods are too costly for the average firm. A lack of training facilities means that new entrants undergo hurried and incomplete apprenticeships. There exists a good, traditional skill-set for the sector, but these are mainly old technologies that could have potential for up-grading

5. Capacity Assessment for Textiles Sector

Textiles - defined as the production of the raw materials that are used for the Garment and Home Textile products. This procedure involves spinning, weaving or dyeing raw cotton and blends into fabrics, yarn, and thread. There are two modes of operations for the “textile” sector in Pakistan. The first includes textile mills that service, mainly, the small and medium RMG producers, and produce for export. The second includes larger garment producers that have integrated spinning and weaving in-house.

	Millions	% Change (2004 to 2005)
Raw Cotton	63	142%
Cotton Yarn	- 87	- 8%
Cotton Cloth	214	14%
Ready Made gmts	89	10%
Knitwear/Hosiery	172	13%
Madeups / Bedwear	41	2%
Towels	103	29%
Tents & Canvas	- 6	- 9%
Synthetic Textile	-168	-39%
Others	70	103%

Textile Vision 2005 (Recommendations to GOP)

MEASURES FOR THE TEXTILE SECTOR

INSTITUTIONAL:

- The concerned Government agencies like EPB and BOI should make a concerted effort to uplift the country image.
- A Textile Board (TB) should be established to continuously monitor the policy implementation and coordinate all the Government-related affairs in textile sector.
- Constitute TB by nominating members from public and private sector and providing the legal framework to define its role.
- To improve the country image as a quality textile product supplier and to facilitate the international buyers in Pakistan, Textile cities should be established in Karachi and Lahore.
- Initiate a study for establishment of textile cities.
- Revive the already established Federal Export Board (FEB) and hold regular meetings every alternate month. Timely remedial action should be initiated by the concerned authorities in case the performance is below the set targets.
- Ministry of Commerce should develop its strength for dealing with the listed issues.
- Participants of any trade fair from Pakistan should be meeting certain minimum standards.
- Steps should be taken to ensure dissemination of information to the exporters.
- Set up help desks in concerned Government departments for the purpose.
- Augment existing crop estimation committee with satellite monitoring.
- TCP should act as price stabilizing third buyer for lint. It should purchase lint at export parity price and act as a market maker in case a situation arises. (Phutti price falls below the economic threshold for the growers).
- Committee should be formed to study the pros and cons of Cotton Hedge Markets.
- Phutti and lint grading standards of Pakistan Cotton Standards Institute (PCSI) should be implemented.
- Ginning research institute should be established to support the ginning industry.

TARIFF:

- Ensure free availability of inputs for exporters.
- Revamp temporary import schemes.
- Pass book system.
- Involvement of commercial banks in monitoring temporary imports.
- Cotton should be allowed to be trade freely.
- Remove excise duty on import of cotton lint greater than 28 mm staple length.
- Imports of saw gin blades should be exempt from customs duty till the time that it is manufactured locally.

FISCAL & MONETARY:

- The rate of export refinance should be reduced keeping in view the recent reduction in interest rates in the country.
- The hurdles towards those cash awards on better export performance should be

removed and awards should be given to the deserving exporters.

- Initiate a scheme (Export Growth Project Finance (EGPF) for provision of long-term credit at lower rates to textile industry, in which the amount of credit is linked with the past year's performance of the exporter. Interest rates in this scheme will be cascaded according to the extent of value addition in the textile value chain, the highest value-added sector getting the lowest interest rate. In case of forward integration, interest rate will be lower than that in case of backward integration.
- Rebates and duty drawback rates should be calculated on the basis of input output coefficients.
- Timely revision in the rates should be made in case of increased input cost.
- A vendor whose 80% of production is consumed for producing export goods should be treated as an Indirect Exporter and be able to avail the benefits of a similar tax structure as for direct exporters.
- Sales tax on cotton lint and oil cake at the ginning stage should be abolished.
- Export refinance facility should be available only to 40 count and above.
- The mechanism of linkage of exchange rate with basket of currencies should be strengthened.

PRODUCT MIX:

- Exempt the duty on import of manmade fibers not produced in Pakistan.
- Phase out the import duty on manmade fibers produced in Pakistan.
- Product and market diversification should be promoted through quota incentives.

QUOTA:

- Quota to be allocated on the basis of value not on performance alone.
- Ensure consistency in the quota policy. Policy once formulated in the best interest of the country should not be altered before the completion of its designated period.
- Provision should be made in the quota policy to facilitate the new exporters.

TECHNOLOGY:

- Imports of textile machinery older than ten years should be banned.
- Provide subsidized credit to textile manufacturers to upgrade their technology through a 'Technology Upgradation fund'. (TUF).
- Import of textile machinery for these sectors be allowed duty free.
- Top priority should be given to stitching industry that leads to highest value addition and employment generation.
- Provision of funds should be made through TUF.
- Existing exporters of garments and made ups should be provided financing through EGPF.
- Import of hand-held ultra low volume spraying equipment should be exempted from import duty and sales tax.
- Promote air jet weaving technology for cotton and blended fabrics.
- Upgrade smaller units of power looms (up to 50 looms) to auto looms and power loom units larger than 50 looms to air jet looms.
- Promote water jet technology for weaving of synthetic fabric.
- Develop special incentive package for promoting growth of processing industry in Pakistan.
- Provision of long-term funds for project financing should be made available through EGPF scheme and TUF.

HUMAN RESOURCES:

- Establish a separate training wing within proposed Textile Board.
- Provide licensing authority to the board for all new VTIs.
- Standardize courses, faculty and facilities in each subsection of textile. 'Introduce training courses of shorter duration.
- Initiate national textile curriculum development task. The exercise shall cover all sub sectors of the textile value chain.
- Evaluate possibility of hiring foreign consultants for short fixed duration to train the trainers.
- Institute for training the trainers.
- Utilization of EDF for equipping Vocational Training Institutions.
- Put manufacturers and exporters on the board of all Vocational Training Institutions and Government should discontinue funding after a specific grace period.

CUSTOMS DUTY & TAXATION (Investment Policy):

- 5% Customs duty on import of machinery which is not manufactured locally.
- Initial Depreciation Allowance @ 50% of machinery cost.

- **Markets**

Export of “textiles” is reported to have been over US\$3 billion in 2004. Textile production is based mainly in Karachi, Faisalabad, Multan and Hyderabad. However, these areas are not part of the areas proposed for the ROZs, so there would be efforts to shift production to the ROZ areas. There is potential for both backward and forward linkages for this sector as well as employment up and down the value chain. Of the textiles, apparel and home textiles, apparel has taken the lead in from textiles in export volumes and value. The U.S. remains the major market for Pakistani apparel exports. Although apparel is a major industry in Pakistan, total exports only represents slightly more than 1% of world textile exports. The major export products include men’s, women’s and children’s woven and knit clothing as well as clothing accessories.

To distinguish from apparel, this sub-sector includes bed sheets, pillow covers, and quilts. The sub-sector produces approximately 30% of the total textiles product exported from Pakistan, after apparel.

- **Technology**

Production and exportation has grown significantly in the past few years. In the early part of this decade this Pakistan was, globally, the second largest exporter (after China) and the U.S. was the largest importer for global home textiles. As with apparel, there are many units producing home textiles in Pakistan

In 2001 it was estimated that there were 4500 apparel units in the sector. The greater percentage (80%) can be regarded as “home-based” enterprises, while the remaining 20% are formal industrials. Total production requires approximately 650,000 sewing machines with 200,000 of those being utilized by the large industries and 450,000 at the home-based level.. Production in the proposed ROZ areas is limited and apparel firms would need to calculate a significant benefit in relocating from current production sites.

- Manpower/management

Total employment for apparel is reported to be about 800,000 men and women. Most production of apparel is located in Karachi and Lahore. SMEDA reports that there are 150 formal units in the organized sector and very many more in the unorganized sector. Information on the unorganized units is not available. The sector is labor intensive and does not require a high degree of sophistication in the production process.

There are not enough state of the art training facilities (especially at the SME level) for operations and management skills.

- Raw Materials

Raw materials for garments and other made ups are mainly from local spinning and weaving. Some larger firms buy raw cotton (local and imported) and do in-house spinning and weaving.

- Finance

Financing is available for the larger, more established firms but not so for the multitude of SME that dominate the sector

B. Summary of competitiveness issues

The sector is well established and has systems for skills training and solid infrastructure in place. Technology in the sector is uneven, with highest technology being utilized in the larger firms. Because of its importance to the overall economy, the sector has significant support from the government and related trade associations. Government support has been in the form of export incentives, tax relief and initial depreciation allowances, but there is also a strong lobbying effort in place led by various trade associations. Export production, for the most part, is at a high level of technology and reported to be of global standards.

6. Capacity Assessment for Carpet Sector

- Markets

Pakistani carpets are very competitive in the world market. There is a good deal of employment in the sector, estimated at 1.5 million using 300,000 - 350,000 looms. Skills are mainly traditional and handed down through the years and designs have been adapted to western tastes . The technology is being upgraded with the use of power looms throughout the production areas, and finishing (cutting and washing facilities are available).

Carpet exports during 2004-05 were \$ 277.84 million as compared to \$ 231.45 million of the previous year, showing an increase of 20%. Major Buyers of the product were USA (40%), Germany, Italy, France and UK. (*Source: EPB*)

- Technology

Popular designs of hand knotted carpets in Pakistan include the Persian, Bukhara, Kurd, Kazakh, Uzbek, Chechen, and Tajik each having its own style of knots. The Turkmen

carpets admired for their primitive geometric designs and simple bold colors are manufactured with coarse hand spun wool in a particular style known as Turkmen knot. The most peculiar aspect of Turkmen carpets is that they are made on ground with the help of light wooden frame unlike other hand knotted carpets that are made on heavy vertical frames known as khuddi in local language. (*Source: Gulf News*)

Refugees have always played an important role in promotion of carpet industry in Pakistan. The foundation of carpet industry in Pakistan was laid by Kashmiri refugees in 1947. Ghulam Muhammad Loane, Khwaja Zubair, Mirza Pure and some other Kashmiri families were the pioneer of carpet industry and contributed in establishment of a strong local and export market of hand-knotted carpets.

The Kashmiri carpet industry was greatly inspired by Persian style that has remained dominant in their carpets. Carpets manufactured by Persian knots, locally called Cehna knot, are of very fine quality adorned with designs having artistic details.

Made with varying ratios of silk and fine wool the Persian carpets have remained the choice of gentry for centuries.

However, owing to en masse repatriation of Afghan refugees the Pakistani carpet industry is losing the artisans that have been manufacturing hand-knotted Turkmen carpets for the local and foreign markets. (*Source: Gulf News*)

- Manpower/management

Most carpets are woven in homes by women and do not require major levels of infrastructure. Support to the sector is mainly from the NGO level in many production areas.

There is potential for “employment” of tens of thousands of people in this sector.

- Raw Materials

After Russia’s invasion of Afghanistan in 1977 the Afghan refugees converged on Pakistan. The refugees belonging to Northern Afghanistan were skilled labor well versed in use of Turkmen knots. Local carpet manufacturers developed new ideas by utilizing skilled Afghans and applied vegetable dyeing instead and created a unique style that became a fashion rage in US and Europe. Pakistani carpets were the perennial choice of foreign buyers due to antique designs.

Raw materials are locally available, though some are imported to meet customer specifications (eg. New Zealand for New Zealand leather garment client).

- Finance

Finance almost impossible at the weaving (home based) level – although some NGOs offer small amounts of funding and buyers may provide dyed wool for weavers on a supplier credit basis.

- Operating Environment

Low levels of infrastructural needs

NWFP center for weaving

Large amounts of woven carpets imported from Afghanistan in an unfinished state (not

cut and washed).

B. Summary of competitiveness issues

Technology upgrading needed

Collections weavers and marketing (export) needs better coordination

Loss of traditional design and methodology, though there is the ability to address the needs for more modern (Western) designs.

Marketing efforts need to be expanded.

Appendix 5

Industrial Assessment Ranking Criteria

1. Potential Employment Creation – the potential for the sector to generate employment - to include backward and forward linkages.
2. Skills Development Capacity – the current availability of technical skills development for skills needed in the sector.
3. Required Infrastructure – the level infrastructure currently available (such as power, water, telecommunications) required for the subsector.
4. Access to finance – potential for acquiring funds from formal sources.
5. Support to the Sector – Developmental initiatives from government, trade associations, NGOs, etc.
6. Level of Technology – technological needs as relates to other sectors.
7. Availability of raw materials – Level of availability of raw materials at fair costs and required quality.
8. Production Exported – Exports from the sector as relates to production.
9. Labor Intensity – The number of employees used in production, relative to capital expenses.

Appendix 6

ROZ Industry Assessment

Company Name: _____

Respondent (title): _____ **Date:** _____

Location: _____ **Enumerator:** _____

_____ **Time in Business:** _____

Telephone: _____ **Email:** _____

Type of Business: _____ **Number of Employees:** _____

Describe your business operations:

I. PRODUCTS:

1. Main Products:

PRODUCTS	1	2	3	4	5
1. Percent exported					
2. Location of markets					
3. Value added¹ as share of unit price					
<i>Of which labor</i>					
<i>Utilities; Electricity etc.</i>					
<i>Raw material</i>					
<i>Transport cost of inputs</i>					

II. MARKET ACCESS

1. To whom are you targeting your products?

2. Is there a strong demand for your product or service? (justify)

Constraint/Opportunity

3. If demand is strong, what is preventing buyers from buying more?

Constraint/Opportunity

4. How do you go about finding new markets?

5. If you export your products - what products, to whom, what quantities, future plans, issues...
If not exporting, why not?

Constraint/Opportunity

¹ VALUE ADDED includes raw materials or other production inputs, cost of production labor, cost of utilities used in production, transportation and freight costs to transport inputs to the factory or premises and depreciation of plants and equipment.

III. TECHNOLOGY/ PRODUCT DEVELOPMENT

1. What kind of machines, equipment and/or tools do you use, and why?

Constraint/Opportunity:

2. Is there equipment that you know of that would enhance efficiency and quality of your production?

Constraint/Opportunity:

3. What have you done recently to improve your production?

Constraint/Opportunity:

4. Technically, what could be done to make your products more competitive and exportable?

Constraint/Opportunity:

IV. MANAGEMENT/ MANPOWER

1. Do you have adequate management capacity in your business?

Constraint/Opportunity

2. Are skilled and unskilled readily available for your production and where does your labor comes from, e.g FATA, NWFP, Balochistan, AJK etc?

3. What management skills would you need to acquire to enhance the profitability of your business?

Constraint/Opportunity

4. What are the normal salaries for unskilled, semi-skilled, and skilled labor in your type of business?

V. INPUT SUPPLY

1. What raw materials do you use?

2. Where do you obtain your raw materials, please specify region e.g, NWFP, Balochistan, AJK etc.,?

3. Are there constraints to getting them? Explain.

4. Any issues related to present and future availability of RM?

5. Do your source or provide inputs to Afghanistan traders/businesses.

Constraint/Opportunity

VI. FINANCE

1. Where do you go when you need money for your business?
2. What is the availability of funds via formal lending institutions for businesses like yours?
3. What trading arrangements do you have with your buyers/ sellers (credit, transport, etc)?

Constraint/Opportunity

VII. POLICY/SECURITY

1. Are there any policies or regulations that are beneficial to businesses like yours?
2. Are there any that are constraints to businesses like yours?
3. What policies or regulations do you think are needed to support businesses like yours?
4. Are you faced with issues of securities? explain

Constraint/Opportunity

VIII. OPERATING ENVIRONMENT

1. What are the biggest constraints that your business (or those who buy from or sell to you) faces in areas such as roads, electricity, water, telephone, communication, warehouses, marketplaces, security etc?

Constraint/Opportunity

2. In your view what can be done to address these problems?

IX. TRADE ASSOCIATIONS

1. Do you belong to any network or trade association?
2. What are the main functions and benefits of the association?

Constraint/Opportunity

X. DUTY FREE OPPORTUNITY

1. If it were possible, would you be interested in taking advantage of exporting to the USA duty free?
2. If yes, how would you go about developing your business in a place that would provide employment in the ROZ areas?
3. If yes to 1, what level of incentive would you require in order to export to the USA.

Appendix 8

Pakistan's List of Products with RCA>1 facing MFN Tariff in the U.S.

Sector	HS Product	Product Name	U.S. MFN RATE	Exports to World (\$ '000)	Exports to US % of Total Exports.
Agriculture	80410	Dates	29.8	4686.9	-
Agriculture	20210	Carcasses and halfcarcasses	26.4	220.3	-
Agriculture	70990	Other	16.4	3659.2	-
Agriculture	271011	Light oils and preparations	7.0	138193.1	-
Agriculture	401519	Other	7.0	5982.4	-
Agriculture	291736	Terephthalic acid and its salts	6.5	80257.6	0.00
Agriculture	390760	Poly(ethylene terephthalate)	6.5	174485.3	-
Agriculture	100630	Semimilled or wholly milled rice, w	6.3	147208.4	0.00
Agriculture	80290	Pecans, fresh or dried, in shell	5.6	10653.4	0.02
Agriculture	284290	Other	5.5	324.9	-
Agriculture	200939	Lime juice, unfermented	3.8	2628.9	-
Agriculture	410791	Full grains, unsplit	2.8	3501.2	0.00
Agriculture	410799	Other	2.5	28227.8	-
Agriculture	330741	Agarbatti and other odoriferous p	2.4	410.5	0.05
Agriculture	410622	In the dry state (crust)	2.4	37779.7	0.00
Agriculture	350300	Gelatin (including gelatin in recta	2.0	4521.8	-
Agriculture	410711	Full grains, unsplit	2.0	14400.3	0.00
Agriculture	410712	Grain splits	2.0	37783.4	0.04
Agriculture	20421	Carcasses and halfcarcasses	1.9	1272.5	-
Agriculture	80520	Mandarins (including tangerines and	1.9	12039.6	-
Agriculture	392620	Articles of apparel and clothing ac	1.6	14063.6	-
Agriculture	30569	Other	1.6	1191.2	-
Agriculture	320641	Ultramarine and preparations based	1.5	207.5	-
Agriculture	410441	Full grains, unsplit; grain splits	1.2	9164.6	-
Agriculture	410449	Other	1.2	10879.2	0.00
Agriculture	100640	Broken rice	0.4	14065.1	-
Agriculture	170310	Cane molasses	0.2	90306.1	-
Agriculture	10620	Reptiles (including snakes and turt	0.0	238.5	-
Agriculture	20450	Meat of goats	0.0	189.2	-
Agriculture	30333	Sole (Solea spp.)	0.0	1038.3	-
Agriculture	30339	Other	0.0	411.3	-
Agriculture	30559	Other	0.0	3450.2	-

Agriculture	30613	Shrimps and prawns	0.0	33927.3	-
Agriculture	30614	Crabs	0.0	3457.2	-
Agriculture	30621	Rock lobster and other sea crawfish	0.0	500.6	-
Agriculture	30623	Shrimps and prawns	0.0	2371.7	-
Agriculture	30624	Crabs	0.0	5644.0	-
Agriculture	30731	Live, fresh or chilled	0.0	567.9	-
Agriculture	30749	Other	0.0	6923.0	0.00
Agriculture	30799	Other	0.0	2060.7	-
Agriculture	50690	Other	0.0	375.8	0.99
Agriculture	51000	Ambergris, castoreum, civet and mus	0.0	219.4	0.05
Agriculture	71190	Other vegetables; mixtures of veget	0.0	218.8	-
Agriculture	71239	Other	0.0	9658.1	0.24
Agriculture	71320	Chickpeas (garbanzos)	0.0	1735.8	-
Agriculture	71340	Lentils	0.0	1100.2	0.02
Agriculture	71390	Other	0.0	2701.6	-
Agriculture	90420	Fruits of the genus Capsicum or of	0.0	963.7	-
Agriculture	90830	Cardamoms	0.0	56.3	-
Agriculture	90920	Seeds of coriander	0.0	71.4	-
Agriculture	90930	Seeds of cumin	0.0	521.5	-
Agriculture	91030	Turmeric (curcuma)	0.0	85.6	-
Agriculture	120791	Poppy seeds	0.0	174.9	-
Agriculture	121110	Liquorice roots	0.0	787.3	-
Agriculture	140490	Other	0.0	3171.2	-
Agriculture	240130	Tobacco refuse	0.0	958.1	-
Agriculture	250100	Salt (including table salt and dena	0.0	3283.6	0.00
Agriculture	251621	Crude or roughly trimmed	0.0	421.2	-
Agriculture	360500	Matches, other than pyrotechnic art	0.0	973.7	0.15
Agriculture	380991	Of a kind used in the textile or li	0.0	2423.3	-
Agriculture	391590	Of other plastics	0.0	4863.4	-
Agriculture	400400	Waste, parings and scrap of rubber	0.0	1469.0	-
Agriculture	401390	Other	0.0	232.3	0.04
Aircraft & Parts	880400	Parachutes (including dirigible par	3.0	229.2	-
Aircraft & Parts	871411	Saddles	0.0	61.8	-
Aircraft & Parts	880310	Propellers and rotors and parts the	0.0	1308.9	-
Apparel	610311	Mens suits of wool or fine animal hair	38.8	493.3	11.16
Apparel	611691	Gloves Of wool or fine animal hair	31.2	179.1	2.15
Apparel	610423	Women's ensembles Textile of synthetic	30.6	639.7	2.02

		fibres			
Apparel	610323	Men's textile of synthetic fibres	30.0	1386.3	5.83
Apparel	610312	Men's or boys' suits, nesoi	28.2	328.4	0.07
Apparel	610333	Men's o jackets and blazers, nesoi	28.2	1067.6	-
Apparel	610433	Women's suit-type jackets & blazers,	28.2	1746.7	-
Apparel	611212	Women's jackets & blazers of synthetic fibres	28.2	10146.8	-
Apparel	611231	men's swim-wear Textile fibres	25.9	546.7	-
Apparel	611430	Tops knitted or crocheted	25.0	7279.1	-
Apparel	620333	Men's or boys' suit-type jackets and blazers	24.7	11468.2	-
Apparel	620423	Women's ensembles, not knitted	23.5	1591.2	0.03
Apparel	610520	Men's or boys' shirts	22.8	17551.8	-
Apparel	620312	Men's or boys' suits of wool or animal hair	22.4	932.0	-
Apparel	610343	Men's or boys' trousers of wool or fine animal hair	21.6	10195.3	-
Apparel	610510	Men's or boys' shirts, knitted or crocheted, of cotton	19.7	257659.4	-
Apparel	610610	Men's or boys' shirts, of animal hair	19.7	29577.8	0.01
Apparel	610463	Textile of synthetic fibres	19.3	6782.4	0.01
Apparel	610110	Men's or boys' overcoats of wool or fine animal hair	17.8	96.1	-
Apparel	611219	Of other textile materials	17.8	445.7	-
Apparel	610210	Women's or girls' overcoats of wool or fine animal hair	17.3	220.3	-
Apparel	620413	Textile of synthetic fibres	17.0	1046.6	0.70
Apparel	610130	Men's or boy's overcoat,etc., nesoi	16.9	3429.5	0.09
Apparel	610230	Of man-made fibres	16.8	5354.8	-
Apparel	610910	Of cotton	16.5	244071.8	0.01
Apparel	610329	Men's or boys' ensembles, knitted or crocheted	16.5	150.3	91.51
Apparel	620329	Of other textile materials	16.4	422.1	0.07
Apparel	610322	Men's or boys' ensembles of cotton	16.1	1936.0	0.65
Apparel	610421	Women's or girls' ensembles or fine animal hair	16.1	256.6	0.95
Apparel	620113	Mens overcoats of man-made fibres	16.1	5414.5	0.88
Apparel	610722	Mens nightshirts	16.0	737.5	0.11
Apparel	610832	Womens nightdresses	16.0	2767.6	0.00
Apparel	611019	Other Sweaters, pullovers	16.0	923.2	-
Apparel	620822	Women's nightdresses not knitted	16.0	5430.2	0.09

Apparel	620892	Women's singlets & other undershirts,	16.0	3451.2	33.17
Apparel	621133	Men's other garments nesoi,	16.0	15686.1	-
Apparel	621143	Women's or girls' track suits	16.0	27103.7	-
Apparel	620429	Womens ensembles of other material	16.0	265.1	-
Apparel	610120	Mens overcoats Of cotton	15.9	63027.3	0.00
Apparel	610220	Women's or girls' overcoats of cotton	15.9	30482.5	0.00
Apparel	611030	Sweaters of manmade fibres	15.3	35881.6	0.00
Apparel	610422	Women's or girls' ensembles, knitted or crocheted, of cotton	15.2	1653.9	-
Apparel	610432	Of cotton	14.9	5833.3	0.00
Apparel	610461	Of wool or fine animal hair	14.9	138.3	14.27
Apparel	610712	Of manmade fibres	14.9	3101.8	0.42
Apparel	610811	Of manmade fibres	14.9	671.9	-
Apparel	611211	Of cotton	14.9	13383.2	-
Apparel	620412	Of cotton	14.9	1177.5	0.00
Apparel	620811	Of manmade fibres	14.9	102.1	0.30
Apparel	610429	Of other textile materials	14.6	48.2	3.24
Apparel	620339	Of other textile materials	14.2	2083.9	-
Apparel	620520	Of cotton	14.2	34328.2	-
Apparel	610341	Of wool or fine animal hair	13.6	276.3	33.76
Apparel	620193	Of man-made fibres	13.5	22381.1	0.01
Apparel	620293	Of manmade fibres	13.5	6925.3	-
Apparel	610332	Of cotton	13.5	20252.6	0.02
Apparel	620510	Of wool or fine animal hair	13.4	324.9	0.25
Apparel	610342	Of cotton	13.2	49303.5	0.03
Apparel	621111	Men's or boys'	13.1	975.3	0.00
Apparel	620920	Of cotton	12.7	10888.9	0.04
Apparel	620792	Of manmade fibres	12.7	548.8	1.02
Apparel	620463	Textile of synthetic fibres	12.6	12611.0	0.02
Apparel	620343	Textile of synthetic fibres	12.4	21688.9	-
Apparel	620443	Textile of synthetic fibres	12.3	3215.1	0.05
Apparel	620530	Of manmade fibres	12.2	4737.9	-
Apparel	610349	Of other textile materials	12.1	832.7	0.18
Apparel	610469	Of other textile materials	12.1	439.1	-
Apparel	621131	Of wool or fine animal hair	12.0	138.6	0.00
Apparel	620444	Of artificial fibres	11.9	815.9	-
Apparel	610442	Of cotton	11.5	11904.0	-

Apparel	611190	Of other textile materials	11.4	121.3	-
Apparel	611591	Of wool or fine animal hair	11.3	267.9	-
Apparel	621490	Of other textile materials	11.3	1770.6	-
Apparel	620990	Of other textile materials	10.9	211.6	5.17
Apparel	611610	Impregnated, coated or covered with	10.9	59612.9	0.01
Apparel	611420	Of cotton	10.8	10213.9	-
Apparel	611020	Of cotton	10.8	479485.5	-
Apparel	611780	Other accessories	10.5	1998.1	0.02
Apparel	620349	Of other textile materials	10.3	2186.9	-
Apparel	621600	Gloves, mittens and mitts.	10.1	40859.1	0.00
Apparel	611693	Textile of synthetic fibres	10.0	12216.8	-
Apparel	620319	Of other textile materials	9.8	1424.5	0.28
Apparel	610412	Of cotton	9.4	1386.7	0.24
Apparel	611599	Of other textile materials	9.4	851.0	-
Apparel	620891	Of cotton	9.4	37922.2	0.03
Apparel	620630	Of cotton	9.3	8261.6	-
Apparel	620342	Of cotton	9.0	589295.2	-
Apparel	610721	Of cotton	8.9	12128.7	0.03
Apparel	620721	Of cotton	8.9	10147.7	-
Apparel	620821	Of cotton	8.9	11523.0	0.00
Apparel	611699	Of other textile materials	8.8	1754.0	0.61
Apparel	610791	Of cotton	8.7	5724.4	0.01
Apparel	620442	Of cotton	8.6	7413.9	0.02
Apparel	610831	Of cotton	8.5	33679.8	-
Apparel	610891	Of cotton	8.5	12184.2	-
Apparel	621790	Parts	8.5	1686.5	0.08
Apparel	630532	Flexible containers	8.4	4638.2	0.50
Apparel	630533	Other sacks of polyethylene or polypropy	8.4	987.9	-
Apparel	630539	Sacks of man-made textile	8.4	2039.3	-
Apparel	611593	Textile of synthetic fibres	8.4	5368.2	0.01
Apparel	610452	Of cotton	8.3	4606.1	0.09
Apparel	620419	Of other textile materials	8.2	1660.8	0.02
Apparel	620462	Of cotton	8.2	353150.9	0.00
Apparel	620452	Of cotton	8.1	32509.1	-
Apparel	621132	Of cotton	8.1	24028.1	0.00
Apparel	621142	Of cotton	8.1	45476.6	0.06
Apparel	630611	Tarpaulines of cotton	8.0	1019.2	0.01

Apparel	630621	Of cotton	8.0	1234.4	-
Apparel	610821	Of cotton	7.6	11746.6	0.03
Apparel	620322	Of cotton	7.5	6516.8	0.07
Apparel	620422	Of cotton	7.5	18859.1	0.07
Apparel	610413	Textile of synthetic fibres	7.5	139.7	0.43
Apparel	610711	Of cotton	7.4	29619.4	0.01
Apparel	620323	Textile of synthetic fibres	7.4	1445.1	1.74
Apparel	620791	Of cotton	7.3	49572.9	0.00
Apparel	610339	Of other textile materials	7.1	410.1	1.56
Apparel	610590	Of other textile materials	7.1	791.5	0.01
Apparel	620690	Of other textile materials	6.7	3953.8	-
Apparel	620192	Of cotton	6.7	16977.2	0.00
Apparel	620212	Of cotton	6.7	1898.2	-
Apparel	620292	Of cotton	6.5	5727.8	-
Apparel	610799	Of other textile materials	6.4	86.7	-
Apparel	630520	scacks f cotton	6.2	6465.4	0.00
Apparel	630590	Sacks of other material	6.2	180.9	-
Apparel	620332	Of cotton	6.1	9206.4	0.04
Apparel	620432	Of cotton	6.1	9274.4	0.01
Apparel	620711	Of cotton	6.1	6986.4	-
Apparel	620719	Of other textile materials	6.1	931.4	-
Apparel	611592	Of cotton	5.9	168504.5	-
Apparel	620799	Of other textile materials	5.7	81.2	1.80
Apparel	611300	Garments, made up of knitted or cro	5.5	752.1	-
Apparel	630790	Other	5.4	64533.2	-
Apparel	621430	Textile of synthetic fibres	5.3	1356.5	0.01
Apparel	621440	Of artificial fibres	5.3	381.3	-
Apparel	621020	Other garments, of the type describ	5.1	219.2	4.11
Apparel	621030	Other garments, of the type describ	5.1	157.7	-
Apparel	630619	Tarpaulines of other textile materials	5.1	191.4	0.14
Apparel	621590	Of other textile materials	5.0	34.1	2.59
Apparel	621040	Other men's or boys' garments	5.0	5490.6	0.31
Apparel	621050	Other women's or girls' garments	5.0	3409.7	-
Apparel	630710	Floorcloths, dishcloths, dusters an	4.7	170769.3	0.00
Apparel	621149	Of other textile materials	4.3	944.3	0.02
Apparel	610319	Of other textile materials	4.0	517.8	0.00
Apparel	610819	Of other textile materials	3.9	617.3	-

Apparel	610419	Of other textile materials	3.8	146.7	7.53
Apparel	630691	Of cotton	3.5	169.9	0.13
Apparel	610190	Of other textile materials	3.3	535.4	0.04
Apparel	610290	Of other textile materials	3.3	204.2	39.28
Apparel	631090	Used or new rags, scrap and worn out articles nesoi	2.8	6887.5	-
Apparel	621139	Of other textile materials	1.7	471.8	0.27
Apparel	620119	Of other textile materials	1.4	534.8	0.12
Apparel	620299	Of other textile materials	1.4	257.4	13.50
Apparel	620722	Of manmade fibres	0.0	937.8	-
Apparel	621710	Accessories	0.0	11338.9	0.00
Apparel	630510	Sacks of jute or of other textile	0.0	1351.0	0.00
Apparel	630629	Of other textile materials	0.0	1096.4	-
Apparel	630639	Of other textile materials	0.0	31.1	-
Apparel	630900	Worn clothing and other worn articl	0.0	1357.8	-
Apparel	631010	Sorted	0.0	18160.3	0.01
Arms	930700	Swords, cutlasses, bayonets, lances	2.7	3212.8	-
Arms	930599	Other	1.7	203.6	11.42
Base metal	821599	Other	6.9	1190.4	-
Base metal	821110	Sets of assorted articles knives etc.,	6.3	530.6	-
Base metal	821195	Handles of base metal	5.5	21.0	0.18
Base metal	821193	Knives having other than fixed blad	5.4	6429.9	3.33
Base metal	821192	Other knives having fixed blades	5.3	3411.5	-
Base metal	821300	Scissors, tailors' shears and simil	5.1	24501.5	0.00
Base metal	821191	Table knives having fixed blades	4.6	691.2	0.01
Base metal	821490	Other	4.0	2010.4	-
Base metal	820320	Pliers (including cutting pliers),	4.0	13894.4	-
Base metal	761520	Sanitary ware and parts thereof	3.8	409.0	-
Base metal	761519	Other	3.1	5134.8	-
Base metal	820140	Axes, bill hooks and similar hewing	3.1	115.1	0.01
Base metal	741811	Pot scourers and scouring or polish	3.0	36.3	-
Base metal	810197	Waste and scrap	2.8	649.3	-
Base metal	761210	Collapsible tubular containers	2.4	1021.0	-
Base metal	821420	Manicure or pedicure sets and instr	2.0	30288.9	0.14
Base metal	740200	Unrefined copper; copper anodes for	0.0	84338.8	-
Base metal	780200	Lead waste and scrap.	0.0	616.4	0.19
Base metal	820330	Metal cutting shears and similar to	0.0	219.4	-

Base metal products	730630	Other, welded, of circular crosssec	0.0	11960.5	-
Footwear and Headgear	640110	Footwear incorporating a protective	37.5	124.7	0.02
Footwear and Headgear	640411	Sports footwear; tennis shoes, bask	30.7	5486.2	0.11
Footwear and Headgear	640420	Footwear w/outer soles of leather/comp	20.8	1242.8	0.03
Footwear and Headgear	650699	Of other materials	8.5	1002.6	0.00
Footwear and Headgear	640590	Footwear, nesoi, other	8.2	849.5	-
Footwear and Headgear	640520	Footwear, nesoi, other	7.5	2287.3	-
Footwear and Headgear	640699	Of other textile materials	6.7	6008.5	-
Footwear and Headgear	660200	Walkingsticks, seatsticks, whips, r	4.0	422.0	0.08
Footwear and Headgear	640312	Skiboats, crosscountry ski footwear	0.0	89.5	-
Footwear and Headgear	640320	Footwear with outer soles of leathe	0.0	475.4	-
Footwear and Headgear	640330	Footwear made on a base or platform	0.0	147.8	-
Footwear and Headgear	650700	Headbands, linings, covers, hat fou	0.0	242.8	65.36
Home textile	580220	Terry towelling and similar woven	14.0	71.8	-
Home textile	630222	Bed linen of manmade fibres	13.2	186992.4	-
Home textile	630232	Of manmade fibres	13.2	156096.8	-
Home textile	630253	Bed linen of manmade fibres	11.3	9761.3	-
Home textile	630312	Curtains of synthetic fibres	11.3	1191.4	0.00
Home textile	630392	Curtains of synthetic fibres	11.3	90357.5	-
Home textile	630399	Curtains of other textile materials	11.3	13452.0	0.00
Home textile	630231	Bed linen of cotton (not printed)	10.8	438418.1	0.00
Home textile	630221	Bed linen, of cotton,	10.5	481225.7	0.00
Home textile	630311	curtains f cotton	10.3	1254.3	0.02
Home textile	630391	Curtains valance of cotton	10.3	122791.7	0.00
Home textile	630493	Furnishing not knitted or crocheted	9.3	12203.1	0.01
Home textile	630291	Bed linen of cotton	9.2	78634.9	0.00
Home textile	630260	Toilet linen and kitchen linen, of	9.1	491616.7	-
Home textile	630259	Bed linen of other textile materials	8.8	856.7	0.06
Home textile	630130	Blankets (other than electric blank	8.4	30174.6	0.01

Home textile	630499	Furnishing not knitted or crocheted, of other	8.2	1169.2	0.06
Home textile	630293	Toilet linen of manmade fibres	8.1	1032.8	-
Home textile	630419	Bedspread not knitted or crocheted	7.9	23514.6	0.00
Home textile	630411	Bedspread knitted or crocheted	7.6	1318.0	0.00
Home textile	630190	Other blankets and travelling rugs	7.2	662.4	0.11
Home textile	630240	Table linen, knitted or crocheted	6.6	356.9	18.38
Home textile	630319	Of other textile materials	6.4	1787.9	0.01
Home textile	630492	Furnishing of cotton	6.3	58022.7	0.00
Home textile	630210	Bed linen, knitted or crocheted	6.0	241690.3	-
Home textile	630491	Furnishing Knitted or crocheted	5.8	1855.3	0.01
Home textile	630299	Toilet linen of other textile materials	5.6	1661.0	0.04
Home textile	630251	Bed linen of cotton (printed)	5.4	49178.0	0.03
Home textile	630229	Bed linen of other textile materials	4.5	4965.2	0.00
Home textile	630239	Of other textile materials	4.3	4472.2	-
Home textile	630292	Toilet linen of flax	0.0	348.3	-
Leather	640351	Footwear w/outer soles and uppers of leather,	7.8	2415.7	0.01
Leather	640399	Footwear w/outer soles and uppers of leather,	7.7	53249.1	-
Leather	640359	Footwear w/outer soles and uppers of leather,	6.5	7996.4	-
Leather	411390	Other	3.3	569.7	0.14
Leather	411310	Of goats or kids	2.4	112916.2	-
Leather	411200	Leather further prepared after tann	2.0	18941.2	0.00
Leather	420340	Other clothing accessories	0.0	4863.0	0.00
Machinery & appliances	851629	Other	3.7	2924.2	-
Machinery & appliances	848140	Safety or relief valves	2.0	2603.9	0.00
Machinery & appliances	841199	Other	1.2	32462.0	0.00
Machinery & appliances	841112	Of a thrust exceeding 25 kN	0.0	65939.1	-
Machinery & appliances	841121	Of a power not exceeding 1,100 kW	0.0	2463.2	-
Machinery & appliances	843780	Other machinery	0.0	1732.0	0.10
Machinery & appliances	844832	Of machines for preparing textile f	0.0	277.4	-
Machinery & appliances	852452	Of a width exceeding 4 mm but not e	0.0	74.1	-

Marble, Ceramic other Stone products	680299	Other stone	6.5	6874.5	3.48
Marble, Ceramic other Stone products	680229	Other stone	6.0	398.7	-
Marble, Ceramic other Stone products	680292	Other calcareous stone	4.9	2284.3	-
Marble, Ceramic other Stone products	680210	Tiles, cubes and similar articles,	4.8	412.6	-
Marble, Ceramic other Stone products	681250	Clothing, clothing accessories, foo	4.2	8.5	-
Marble, Ceramic other Stone products	680291	Marble, travertine and alabaster	4.0	12140.4	0.01
Marble, Ceramic other Stone products	680221	Marble, travertine and alabaster	3.1	1068.5	1.77
Marble, Ceramic other Stone products	691390	Other Stone	3.0	2344.3	0.01
Marble, Ceramic other Stone products	691490	Other Stone	2.8	1572.2	-
Marble, Ceramic other Stone products	681130	Tubes, pipes and tube or pipe fitti	0.0	138.4	-
Marble, Ceramic other Stone products	681599	Other Stone	0.0	2438.2	0.15
Marble, Ceramic other Stone products	690490	Other Stone	0.0	142.4	-
Misc. manufactured	940490	Other	7.2	140816.8	-
Misc. manufactured	940430	Sleeping bags	6.9	773.9	0.00
Misc. manufactured	940550	Nonelectrical lamps and lighting fi	4.9	3180.9	0.23
Misc. manufactured	950691	Articles and equipment for general	4.6	12486.9	0.00
Misc. manufactured	950669	Other	3.4	11047.7	-

Misc. manufactured	950699	Other	3.4	35789.2	5.36
Misc. manufactured	950662	Inflatable	2.4	252903.2	0.00
Misc. manufactured	950619	Other	1.4	430.4	-
Misc. manufactured	960390	#NAME?	1.4	11878.2	0.00
Optical& Photography	920290	Other	6.6	903.3	-
Optical& Photography	920890	Other	5.3	336.4	24.74
Optical& Photography	920600	Percussion musical instruments (for	3.4	2487.1	0.04
Optical& Photography	920510	Brasswind instruments	2.9	321.5	2.86
Optical& Photography	920590	Other	2.5	1148.5	-
Optical& Photography	901490	Parts and accessories	0.0	10895.4	-
Optical& Photography	901849	Other	0.0	21580.8	-
Optical& Photography	901890	Other instruments and appliances	0.0	147135.0	-
precious and semi-precious stones	711320	Of base metal clad with precious me	6.0	268.2	-
precious and semi-precious stones	710310	Unworked or simply sawn or roughly	5.3	6602.8	-
precious and semi-precious stones	711620	Of precious or semiprecious stones	5.1	2577.3	0.01
precious and semi-precious stones	711411	Of silver, whether or not plated or	3.0	1479.9	-
precious and semi-precious stones	711299	Other	0.0	4747.6	0.00
Textile	580121	Uncut weft pile fabrics	20.2	7803.5	0.18
Textile	600191	Knitted or crocheted pile fabrics	18.5	714.7	6.26
Textile	551634	Woven fabrics of metal thread and w	15.9	253.4	-
Textile	551641	Unbleached or bleached	14.9	109.1	17.29
Textile	551442	3thread or 4thread twill, including	14.9	65.5	1.61

Textile	551422	3thread or 4thread twill, including	14.9	3913.2	0.14
Textile	551432	3thread or 4thread twill, including	14.9	136.6	0.03
Textile	551343	Other woven fabrics of polyester st	14.9	5480.2	0.01
Textile	540774	Printed	14.9	389.1	0.01
Textile	551333	Other woven fabrics of polyester st	14.9	427.4	0.01
Textile	551313	Other woven fabrics of polyester st	14.9	6344.0	0.00
Textile	551331	Of polyester staple fibres, plain w	14.9	1690.7	0.00
Textile	551341	Of polyester staple fibres, plain w	14.9	111814.3	0.00
Textile	551311	Of polyester staple fibres, plain w	14.9	201945.5	0.00
Textile	551322	3thread or 4thread twill, including	14.9	2410.1	0.00
Textile	551339	Other woven fabrics	14.9	2125.5	0.00
Textile	551624	Printed	14.9	252.2	-
Textile	551621	Unbleached or bleached	14.9	530.7	-
Textile	551612	Dyed	14.9	599.5	-
Textile	551611	Unbleached or bleached	14.9	1013.0	-
Textile	551421	Of polyester staple fibres, plain w	14.9	3931.8	-
Textile	551413	Other woven fabrics of polyester st	14.9	6081.6	-
Textile	551329	Other woven fabrics	14.9	4053.4	-
Textile	540784	Printed	14.9	25943.1	-
Textile	580900	Woven fabrics of metal thread and w	14.9	29.7	-
Textile	581010	Embroidery without visible ground	14.1	342.5	0.21
Textile	551342	3thread or 4thread twill, including	13.6	1932.2	0.47
Textile	551219	Other	13.6	3748.7	-
Textile	580430	Handmade lace	13.2	22.4	1.79
Textile	540833	Of yarns of different colours	12.6	195.4	-
Textile	521031	Plain weave	12.6	5712.2	-
Textile	521221	Unbleached	12.2	2354.7	0.00
Textile	521222	Bleached	12.2	96.9	-
Textile	551691	Unbleached or bleached	12.0	118.8	84.06
Textile	551694	Printed	12.0	363.6	0.98
Textile	551211	Unbleached or bleached	12.0	2889.7	0.01
Textile	551519	Other	12.0	417.6	-
Textile	551512	Mixed mainly or solely with manmade	12.0	6448.7	-
Textile	551443	Other woven fabrics of polyester st	12.0	913.3	-
Textile	551433	Other woven fabrics of polyester st	12.0	701.4	-
Textile	550962	Mixed mainly or solely with cotton	12.0	290.9	-
Textile	520548	Measuring per single yarn less than	12.0	10687.3	-

Textile	520547	Measuring per single yarn less than	12.0	2794.2	-
Textile	520546	Measuring per single yarn less than	12.0	600.9	-
Textile	520535	Measuring per single yarn less than	12.0	89.8	-
Textile	520528	Measuring less than 83.33 decitex (12.0	5557.2	-
Textile	520527	Measuring less than 106.38 decitex	12.0	7926.6	-
Textile	520526	Measuring less than 125 decitex but	12.0	4186.1	-
Textile	521049	Other fabrics	11.5	858.5	-
Textile	520842	Plain weave, weighing more than 100	11.4	1833.3	-
Textile	521029	Other fabrics	11.1	1609.9	-
Textile	520515	Measuring less than 125 decitex (ex	11.0	460.6	-
Textile	521011	Plain weave	10.7	19695.8	0.01
Textile	551012	Multiple (folded) or cabled yarn	10.6	410.9	0.07
Textile	550922	Multiple (folded) or cabled yarn	10.6	375.2	-
Textile	520833	3thread or 4thread twill, including	10.3	2240.2	0.01
Textile	600510	Of wool or fine animal hair	10.0	25.0	78.94
Textile	600521	Unbleached or bleached	10.0	123.8	2.59
Textile	600610	Of wool or fine animal hair	10.0	519.2	0.23
Textile	600642	Dyed	10.0	1846.3	0.16
Textile	600621	Unbleached or bleached	10.0	1427.7	0.12
Textile	600641	Unbleached or bleached	10.0	34.2	-
Textile	520852	Plain weave, weighing more than 100	10.0	69673.6	0.00
Textile	520544	Measuring per single yarn less than	9.9	3312.4	-
Textile	520534	Measuring per single yarn less than	9.9	993.5	-
Textile	520524	Measuring less than 192.31 decitex	9.9	50553.9	-
Textile	600121	Of cotton	9.8	311.2	89.79
Textile	580211	Unbleached	9.8	7617.0	0.00
Textile	520822	Plain weave, weighing more than 100	9.5	42585.9	-
Textile	580219	Other	9.4	5227.3	0.00
Textile	520632	Measuring per single yarn less than	9.2	576.9	0.08
Textile	520611	Measuring 714.29 decitex or more (n	9.2	1463.6	0.04
Textile	520644	Measuring per single yarn less than	9.2	137.5	-
Textile	520643	Measuring per single yarn less than	9.2	251.7	-
Textile	520642	Measuring per single yarn less than	9.2	439.1	-
Textile	520634	Measuring per single yarn less than	9.2	31.1	-
Textile	520631	Measuring per single yarn 714.29 de	9.2	34.3	-
Textile	520625	Measuring less than 125 decitex (ex	9.2	94.7	-
Textile	520624	Measuring less than 192.31 decitex	9.2	1795.0	-

Textile	520622	Measuring less than 714.29 decitex	9.2	4113.5	-
Textile	520621	Measuring 714.29 decitex or more (n	9.2	206.4	-
Textile	520615	Measuring less than 125 decitex (ex	9.2	42.0	-
Textile	520614	Measuring less than 192.31 decitex	9.2	1166.3	-
Textile	520613	Measuring less than 232.56 decitex	9.2	2560.4	-
Textile	520612	Measuring less than 714.29 decitex	9.2	4659.4	-
Textile	521012	3thread or 4thread twill, including	9.1	1770.9	0.02
Textile	540794	Printed	9.0	3262.3	0.00
Textile	560420	High tenacity yarn of polyesters, o	8.8	813.6	0.44
Textile	520853	3thread or 4thread twill, including	8.8	1129.9	0.05
Textile	580631	Of cotton	8.8	4903.7	-
Textile	520819	Other fabrics	8.6	96055.8	-
Textile	520543	Measuring per single yarn less than	8.6	2287.5	-
Textile	520533	Measuring per single yarn less than	8.6	15213.3	-
Textile	520523	Measuring less than 232.56 decitex	8.6	60141.6	-
Textile	551599	Other	8.5	1780.6	1.00
Textile	551644	Printed	8.5	626.6	0.44
Textile	551623	Of yarns of different colours	8.5	191.8	0.00
Textile	551449	Other woven fabrics	8.5	2721.5	-
Textile	551349	Other woven fabrics	8.5	10864.0	-
Textile	520949	Other fabrics	8.4	1646.0	0.01
Textile	520931	Plain weave	8.4	7929.2	0.01
Textile	520939	Other fabrics	8.4	16460.4	0.00
Textile	520932	3thread or 4thread twill, including	8.4	23151.2	0.00
Textile	520943	Other fabrics of 3thread or 4thread	8.4	503.7	-
Textile	520514	Measuring less than 192.31 decitex	8.3	18599.4	-
Textile	520849	Other fabrics	8.1	1629.2	0.12
Textile	521139	Other fabrics	8.1	907.0	0.00
Textile	521142	Denim	8.1	747.0	-
Textile	570231	Of wool or fine animal hair	8.0	1370.6	5.12
Textile	560600	Gimped yarn, and strip and the like	8.0	5173.5	-
Textile	520813	3thread or 4thread twill, including	7.9	21457.9	-
Textile	581092	Embroidery in the piece, in strips or in motifs,	7.8	4041.3	-
Textile	521112	3thread or 4thread twill, including	7.7	5319.3	0.08
Textile	521119	Other fabrics	7.7	2222.6	0.01
Textile	521111	Plain weave	7.7	1414.5	-

Textile	520922	3thread or 4thread twill, including	7.7	5031.0	-
Textile	550992	Mixed mainly or solely with cotton	7.5	1200.0	0.01
Textile	520941	Plain weave	7.5	1571.9	0.00
Textile	551030	Other yarn, mixed mainly or solely	7.5	1723.3	0.00
Textile	520522	Measuring less than 714.29 decitex	7.3	400193.2	-
Textile	600129	Of other textile materials	7.0	170.5	2.98
Textile	520513	Measuring less than 232.56 decitex	6.9	27741.1	-
Textile	581091	Embroidery of cotton, in the piece	6.9	487.0	-
Textile	520919	Other fabrics	6.5	95201.5	-
Textile	520912	3thread or 4thread twill, including	6.5	165377.4	-
Textile	520911	Plain weave	6.5	47526.9	-
Textile	520542	Measuring per single yarn less than	6.5	77759.5	-
Textile	560410	Rubber thread and cord, textile cov	6.3	1345.1	1.08
Textile	580230	Tufted textile fabrics	6.2	72.2	4.94
Textile	540823	Of yarns of different colours	6.0	501.3	0.06
Textile	520512	Measuring less than 714.29 decitex	5.9	375253.9	-
Textile	520521	Measuring 714.29 decitex or more (n	5.8	10469.5	-
Textile	581099	Embroidery in the piece, in strips or in motifs,	5.8	2127.7	-
Textile	570299	Of other textile materials	5.4	2972.5	-
Textile	570251	Of wool or fine animal hair	5.3	86.7	24.67
Textile	580790	Other	5.2	295.6	4.54
Textile	580710	Woven	5.2	679.4	0.26
Textile	520541	Measuring per single yarn 714.29 de	5.0	1904.3	-
Textile	520300	Cotton, carded or combed.	4.8	4639.2	0.00
Textile	520411	Containing 85 % or more by weight o	4.4	419.1	1.29
Textile	520419	Other	4.4	180.6	0.81
Textile	520511	Measuring 714.29 decitex or more (n	4.4	95338.3	0.00
Textile	520291	Garnetted stock	4.3	2775.9	0.00
Textile	590390	Other	4.2	6553.0	-
Textile	560129	Other	4.0	117.7	38.70
Textile	570249	Of other textile materials	4.0	5028.8	0.03
Textile	590700	Textile fabrics otherwise impregnat	4.0	3810.4	0.00
Textile	500710	Fabrics of noil silk	3.9	171.4	0.33
Textile	521215	Printed	3.9	1999.9	0.01
Textile	580890	Other	3.9	294.6	-
Textile	570239	Of other textile materials	3.6	411.7	2.20

Textile	600690	Other	3.5	2332.2	0.00
Textile	590800	Textile wicks, woven, plaited or kn	3.4	70.5	18.19
Textile	580190	Of other textile materials	3.2	144.6	-
Textile	580410	Tulles and other net fabrics	3.0	484.8	1.44
Textile	560900	Articles of yarn, strip or the like	2.8	899.0	-
Textile	570291	Of wool or fine animal hair	2.6	459.3	0.04
Textile	560790	Other	2.1	3984.1	-
Textile	570500	Other carpets and other textile flo	1.7	1974.9	0.01
Textile	580126	Chenille fabrics	0.0	496.0	0.49
Textile	580110	Of wool or fine animal hair	0.0	100.3	3.14
Textile	570241	Of wool or fine animal hair	0.0	798.0	0.85
Textile	570210	Kelem, "Schumacks", "Karamanie" a	0.0	6740.7	0.03
Textile	570190	Of other textile materials	0.0	5323.1	0.17
Textile	570110	Of wool or fine animal hair	0.0	346330.8	0.00
Textile	551439	Other woven fabrics	0.0	219.9	0.10
Textile	550510	Textile of synthetic fibres	0.0	652.2	0.02
Textile	521151	Plain weave	0.0	405.3	0.07
Textile	520843	3thread or 4thread twill, including	0.0	937.4	0.55
Textile	520710	Containing 85 % or more by weight o	0.0	265.9	-
Textile	520299	Other	0.0	46588.8	0.00
Textile	520210	Yarn waste (including thread waste)	0.0	3411.0	0.00
Textile	511000	Yarn of coarse animal hair or of ho	0.0	21.5	-
Textile	580310	Of cotton	0.0	26.9	79.34
Textile	600320	Of cotton	0.0	498.7	29.31

Source: Based on U.N Comtrade data accessed through World Bank's WITS database. Descriptions are as provided in the WITS database.

ANNEX 2: Pakistan's Priority Product List under ROZs

Sector	HTS8	BRIEF_DESCRIPTION	U.S. MFN Tariff	RCA Indicator
Sports goods	64041170	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$3 but n/o \$6.50/pr, nesoi	0.587	RCA>1
Sports goods	64041150	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued n/o \$3/pair, nesoi	0.48	RCA>1
Sports goods	64041140	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, val. n/o \$3/pair, w/soles fixed w/adhesives w/o foxing	0.375	RCA>1
Sports goods	64041160	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, val. o/\$3 but n/o \$6.50/pr, w/soles fixed w/adhesives	0.375	RCA>1
Apparel	61052020	Men's or boys' shirts, knitted or crocheted, of manmade fibers, nesoi	0.32	RCA>1
Apparel	61103030	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, nesoi	0.32	RCA>1
Apparel	61143020	Bodysuits and bodyshirts, knitted or crocheted, of man-made fibers	0.32	RCA>1
Apparel	61062020	Women's or girls' blouses and shirts, knitted or crocheted, of man-made fibers, nesoi	0.32	
Apparel	61099010	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	0.32	
Apparel	61113030	Babies' T-shirts, singlets and similar garments, except those imported as parts of sets, knitted or crocheted, of synthetic fibers	0.32	
Apparel	61042300	Women's or girls' ensembles, knitted or crocheted, of synthetic fibers	0.306	RCA>1
Apparel	61032910	Men's or boys' ensembles, knitted or crocheted, of artificial fibers	0.305	RCA>1
Apparel	61032920	Men's or boys' ensembles, knitted or crocheted, of textile materials nesoi	0.305	RCA>1
Apparel	62032930	Men's or boys' ensembles, not knitted or crocheted, of textile materials nesoi	0.305	RCA>1
Apparel	62032920	Men's or boys' ensembles, not knitted or crocheted, of artificial fibers	0.305	RCA>1
Apparel	61032300	Men's or boys' ensembles, knitted or crocheted, of synthetic fibers	0.3	RCA>1
Apparel	62046335	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of synthetic fibers, nesoi	0.286	RCA>1
Apparel	62046925	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of artificial fibers, nesoi	0.286	
Apparel	62093020	Babies' trousers, breeches and shorts, except those imported as parts of sets, not knitted or crocheted, of synthetic fibers	0.286	
Apparel	61042910	Women's or girls' ensembles, knitted or crocheted, of artificial fibers	0.282	RCA>1
Apparel	61042920	Women's or girls' ensembles, knitted or crocheted, of textile materials nesoi	0.282	RCA>1
Apparel	61013020	Men's or boy's overcoats, carcoats, capes, cloaks, windbreakers and similar articles, knitted or crocheted, of man-made fibers, nesoi	0.282	RCA>1
Apparel	61023020	Women's or girls' overcoats, carcoats, capes, windbreakers and similar articles, knitted or crocheted, of manmade fibers, nesoi	0.282	RCA>1
Apparel	61031220	Men's or boys' suits, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1
Apparel	61033320	Men's or boys' suit-type jackets and blazers, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1

Apparel	61034315	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1
Apparel	61034910	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of artificial fibers	0.282	RCA>1
Apparel	61043320	Women's or girls' suit-type jackets and blazers, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1
Apparel	61046320	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1
Apparel	61046920	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of artificial fibers	0.282	RCA>1
Apparel	61121200	Track suits, knitted or crocheted, of synthetic fibers	0.282	RCA>1
Apparel	61121910	Track suits, knitted or crocheted, of artificial fibers	0.282	RCA>1
Apparel	61143010	Tops, knitted or crocheted, of man-made fibers	0.282	RCA>1
Apparel	62034340	Men's or boys' trousers, breeches & shorts, of synthetic fibers, con under 15% wt down etc, cont under 36% wt wool, n/water resist, not k/c	0.279	RCA>1
Apparel	62034920	Men's or boys' trousers, breeches and shorts, not knitted or crocheted, of artificial fibers, nesoi	0.279	RCA>1
Apparel	62111110	Men's or boys' swimwear, not knitted or crocheted, of man-made fibers	0.278	RCA>1
Apparel	62011340	Men's or boys' overcoats, carcoats, capes, cloaks and similar coats, not knitted or crocheted, of manmade fibers, nesoi	0.277	RCA>1
Apparel	62019335	Men's or boys' anoraks, windbreakers and similar articles, not knitted or crocheted, of manmade fibers, nesoi	0.277	RCA>1
Apparel	62029350	Women's or girls' anoraks, windbreakers and similar articles, not knitted or crocheted, of man-made fibers, nesoi	0.277	RCA>1
Apparel	62021340	Women's or girls' overcoats, carcoats, capes, cloaks and similar articles, not knitted or crocheted, of man-made fibers, nesoi	0.277	
Apparel	62031220	Men's or boys' suits, of synthetic fibers, under 36% by weight of wool, not knitted or crocheted	0.273	RCA>1
Apparel	62033320	Men's or boys' suit-type jackets and blazers, not knitted or crocheted, of synthetic fibers, under 36% by weight of wool	0.273	RCA>1
Apparel	62033920	Men's or boys' suit-type jackets and blazers, not knitted or crocheted, of artificial fibers, under 36% by weight of wool	0.273	RCA>1
Apparel	62043350	Women's or girls' suit-type jackets and blazers, not knitted or crocheted, of synthetic fibers, nesoi	0.273	
Apparel	62064030	Women's or girls' blouses and shirts, not knitted or crocheted, of manmade fibers, nesoi	0.269	
Apparel	62042920	Women's or girls' ensembles, not knitted or crocheted, of artificial fibers	0.262	RCA>1
Apparel	61119040	Babies' sweaters, sweatshirts, and similar articles, except those imported as parts of sets, knitted or crocheted, of artificial fibers	0.26	RCA>1
Apparel	61123100	Men's or boys' swimwear, knitted or crocheted, of synthetic fibers	0.259	RCA>1
Apparel	62041320	Women's or girls' suits, not knitted or crocheted, of synthetic fibers, nesoi	0.259	RCA>1
Apparel	62041920	Women's or girls' suits, not knitted or crocheted, of artificial fibers, nesoi	0.259	RCA>1
Apparel	62053020	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, nesoi	0.259	RCA>1
Apparel	61161017	Gloves, mittens & mitts, w/o four., k/c, coated w. plastics/rubber, nesoi, cut & sewn, of veg. fibers, cont. 50 % or less wt. of plas./rub.	0.235	RCA>1
Apparel	61169264	Gloves, mittens & mitts, (excl. ski or snowmobile), knitted or crocheted, of cotton, made from a pre-existing machine knit fabric, w/o four.	0.235	RCA>1

Apparel	61169274	Gloves, mittens & mitts (excl. ski or snowmobile), k/c, of cotton, from a pre-existing machine knit fabric, with fourchettes	0.235	RCA>1
Apparel	62042300	Women's or girls' ensembles, not knitted or crocheted, of synthetic fibers	0.235	RCA>1
Apparel	62160038	Gloves, mittens & mitts (excl. for sports), not impregnated, coated or covered with plastics or rubber, of cotton, without fourchettes	0.235	RCA>1
Apparel	62160041	Gloves, mittens & mitts (excl. for sports), not impregnated, coated or covered with plastics or rubber, of cotton, with fourchettes	0.235	RCA>1
Sports goods	62160017	Gloves etc. (excl. for sports), not k/c, impreg. etc. with plas/rub, w/o four., cut & sewn, of veg. fibers, cont. <50% by wt. plas./rubber	0.235	RCA>1
Apparel	62033310	Men's or boys' suit-type jackets and blazers, not knitted or crocheted, of synthetic fibers, cont. 36% or more of wool or fine animal hair	0.22	RCA>1
Apparel	62033910	Men's or boys' suit-type jackets and blazers, of artificial fibers, containing 36% or more by weight of wool or fine animal hair, not k/c	0.22	RCA>1
Apparel	62099010	Babies' blouses and shirts, except those imported as parts of sets, not knitted or crocheted, of artificial fibers	0.22	RCA>1
Apparel	61121980	Track suits, of textile materials (except cotton or mmf), containing less than 70% by weight of silk or silk waste, knitted or crocheted	0.216	RCA>1
Apparel	62031920	Men's or boys' suits, of artificial fibers, not knitted or crocheted, containing 36 percent or more of wool or fine animal hair	0.21	RCA>1
Home textile	63022150	Bed linen, not knit or crocheted, printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, n/napped	0.209	RCA>1
Home textile	63023150	Bed linen, not knit/croc, not printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, not napped	0.209	RCA>1
Textile	58012100	Uncut weft pile fabrics of cotton, other than fabrics of heading 5802 or 5806	0.202	RCA>1
Leather	42029245	Travel, sports and similar bags with outer surface of plastic sheeting	0.2	RCA>1
Leather	42023220	Articles of a kind normally carried in the pocket or handbag, with outer surface of plastic sheeting, nesl	0.2	
Sports goods	64041180	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$6.50 but n/o \$12/pair	0.2	RCA>1
Sports goods	64041190	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$12/pair	0.2	RCA>1
Apparel	61051000	Men's or boys' shirts, knitted or crocheted, of cotton	0.197	RCA>1
Apparel	61061000	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	0.197	RCA>1
Apparel	62011330	Men's or boys' overcoats, carcoats, capes, & like coats of manmade fibers, not knit or crocheted, cont. 36 percent or more of wool, nesoi	0.197	RCA>1
Apparel	62029340	Women's or girls' anoraks, windbreakers, etc, nt knit or crocheted, of manmade fibers, cont. 36% or more of wool or fine animal hair, nesoi	0.197	RCA>1
Apparel	62034330	Men's or boys' trousers, etc, not knitted or crocheted, of synthetic fibers, containing 36 percent or more of wool or fine animal hair	0.197	RCA>1
Apparel	62052020	Men's or boys' shirts, not knitted or crocheted, of cotton, nesoi	0.197	RCA>1
Apparel	62053015	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, containing 36 percent or	0.197	RCA>1

		more of wool or fine animal hair, nesoi		
Apparel	61112010	Babies' blouses and shirts, except those imported as parts of sets, knitted or crocheted, of cotton	0.197	
Apparel	62019120	Men's or boys' anoraks, windbreakers and similar articles nesoi, not knitted or crocheted, of wool or fine animal hair	0.197	
Textile	55163405	Woven fabrics of artificial staple fibers, < 85% of such fibers, containing 36% or more of wool or fine animal hair, printed	0.197	RCA>1
Apparel	62019325	Men's or boys' anoraks, etc, nesoi, not knitted or crocheted, of manmade fibers, containing 36 percent or more of wool or fine animal hair	0.196	RCA>1
Textile	54083305	Woven fabrics of artificial filament yarn nesoi, containing 36% or more by wt of wool or fine animal hair, of yarns of different colors	0.196	RCA>1
Apparel	61023010	Women's or girls' overcoats, carcoats, etc., knitted or crocheted, of manmade fibers, containing 23% or more of wool or fine animal hair	0.188	RCA>1
Apparel	61159360	Stockings, socks, etc. nesoi, knitted or crocheted, of synthetic fibers, containing lace or net	0.188	RCA>1
Apparel	61159914	Hosiery nesoi, of artificial fibers, containing lace or net	0.188	RCA>1
Apparel	61169954	Gloves, mittens & mitts (excl. those designed for sports etc.), knitted or crocheted, of artificial fibers, with fourchettes	0.188	RCA>1
Apparel	61169948	Gloves, mittens & mitts (excl. those designed for sports etc.), knitted/crocheted, of artificial fibers, without fourchettes	0.188	RCA>1
Apparel	61161048	Gloves, mittens & mitts(excl sports), impreg etc, cut & sewn from pre-exist non-veg fib impreg fab, w/o fourch, con < 50% wt pla/rub k/c	0.186	RCA>1
Apparel	61169394	Gloves, mittens & mitts (excl. those designed for sports etc.), k/c, of synthetic fibers, under 23% by wt. of wool etc., with fourchettes	0.186	RCA>1
Apparel	61169388	Gloves, mittens & mitts (excl. those designed for sports etc.), k/c, of synthetic fibers, under 23% by wt. of wool etc., w/o fourchettes	0.186	RCA>1
Textile	60019100	Knitted or crocheted pile fabrics (other than "long pile" or looped pile) of cotton	0.185	RCA>1
Leather	42029290	Bags, cases and similar containers nesi, with outer surface of plastic sheeting or of textile materials, excl. cotton	0.176	RCA>1
Leather	42029230	Travel, sports and similar bags with outer surface of textile materials other than of vegetable fibers	0.176	RCA>1
Leather	42022280	Handbags with or without shoulder strap or without handle, with outer surface of textile materials, nesi	0.176	
Leather	42023295	Articles of a kind normally carried in the pocket or handbag, with outer surface of textile materials, nesi	0.176	
Apparel	62031210	Men's or boys' suits, of synthetic fibers, not knitted or crocheted, containing 36 percent or more by weight of wool or fine animal hair	0.175	RCA>1
Apparel	62051020	Men's or boys' shirts, not knitted or crocheted, of wool or fine animal hair, nesoi	0.175	RCA>1
Apparel	62033190	Men's or boys' suit-type jackets and blazers, of wool or fine animal hair, not knitted or crocheted	0.175	
Apparel	61119020	Babies' blouses and shirts, except those imported as parts of sets, knitted or crocheted, of artificial fibers	0.173	RCA>1

Textile	60012200	Knitted or crocheted looped pile fabrics of man-made fibers	0.172	
Apparel	61103015	Sweaters, etc., knitted or crocheted, of manmade fibers, containing 23% or more of wool or fine animal hair	0.17	RCA>1
Apparel	62041310	Women's or girls' suits, not knitted or crocheted, of synthetic fibers, containing 36 percent or more of wool or fine animal hair	0.17	RCA>1
Apparel	62041910	Women's or girls' suits, not knitted or crocheted, of artificial fibers, containing 36 percent or more of wool or fine animal hair	0.17	RCA>1
Apparel	62121090	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted	0.169	
Apparel	62034240	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc	0.166	RCA>1
Apparel	62046240	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, nesoi	0.166	RCA>1
Apparel	61043310	Women's or girls' suit-type jackets & blazers, knit or crocheted, of synthetic fibers, cont. 23% or more of wool or fine animal hair	0.165	RCA>1
Apparel	61091000	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	0.165	RCA>1
Apparel	61102020	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesoi	0.165	RCA>1
Textile	52122110	Other woven fabrics of cotton, containing 36% or more by weight of wool or fine hair, weighing more than 200 g/m2, unbleached	0.165	RCA>1
Textile	52122210	Other woven fabrics of cotton, containing 36% or more by weight of wool or fine hair, weighing more than 200 g/m2, bleached	0.165	RCA>1
Apparel	61021000	Women's or girls' overcoats, carcoats, capes, windbreakers and similar articles, knitted or crocheted, of wool or fine animal hair	0.164	RCA>1
Apparel	62011100	Men's or boys' overcoats, carcoats, capes, cloaks and similar coats of wool or fine animal hair, not knitted or crocheted	0.163	
Apparel	62034118	Men's or boys' trousers and breeches, other than of HTSA 6203.41.05, nesoi	0.163	
Apparel	61032200	Men's or boys' ensembles, knitted or crocheted, of cotton	0.161	RCA>1
Apparel	61034210	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of cotton	0.161	RCA>1
Apparel	61042100	Women's or girls' ensembles, knitted or crocheted, of wool or fine animal hair	0.161	RCA>1
Apparel	62032230	Men's or boys' ensembles, not knitted or crocheted, of cotton, other than judo, karate and other oriental martial arts uniforms	0.161	RCA>1
Apparel	61011000	Men's or boys' overcoats, carcoats, capes, cloaks, windbreakers and similar articles, knitted or crocheted, of wool or fine animal hair	0.16	RCA>1
Apparel	61072200	Men's or boys' nightshirts and pajamas, knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	61083200	Women's or girls' nightdresses and pajamas, knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	61101900	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of fine animal hair	0.16	RCA>1
Apparel	62044340	Women's or girls' dresses, not knitted or crocheted, of synthetic fibers, nesoi	0.16	RCA>1
Apparel	62044440	Women's or girls' dresses, not knitted or crocheted, of artificial fibers, nesoi	0.16	RCA>1
Apparel	62072200	Men's or boys' nightshirts and pajamas, not knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	62082200	Women's or girls' nightdresses and pajamas, not knitted or crocheted, of man-made fibers	0.16	RCA>1

Apparel	62089200	Women's or girls' singlets & other undershirts, briefs, panties, bathrobes & similar articles, not knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	62113300	Men's or boys' track suits or other garments nesoi, not knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	62114300	Women's or girls' track suits or other garments nesoi, not knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	61044320	Women's or girls' dresses, knitted or crocheted, of synthetic fibers, nesoi	0.16	
Apparel	61045320	Women's or girls' skirts and divided skirts, knitted or crocheted, of synthetic fibers, nesoi	0.16	
Apparel	61089200	Women's or girls' negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted, of man-made fibers	0.16	
Apparel	61113050	Babies' garments and clothing accessories, knitted or crocheted, of synthetic fibers, nesoi	0.16	
Apparel	61151980	Panty hose (not surgical) and tights, of textile materials nesoi, knitted or crocheted	0.16	
Apparel	62045330	Women's or girls' skirts and divided skirts, not knitted or crocheted, of synthetic fibers, nesoi	0.16	
Apparel	62045930	Women's or girls' skirts and divided skirts, not knitted or crocheted, of artificial fibers, nesoi	0.16	
Apparel	61012000	Men's or boys' overcoats, carcoats, capes, cloaks, anoraks, windbreakers and similar articles, knitted or crocheted, of cotton	0.159	RCA>1
Apparel	61022000	Women's or girls' overcoats, carcoats, capes, cloaks, anoraks, windbreakers and similar articles, knitted or crocheted, of cotton	0.159	RCA>1
Apparel	61034110	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of wool or fine animal hair	0.158	RCA>1
Apparel	61031210	Men's or boys' suits, knitted or crocheted, of synthetic fibers, containing 23 percent or more of wool or fine animal hair	0.156	RCA>1
Apparel	61082290	Women's or girls' briefs and panties (other than disposable), of man-made fibers, knitted or crocheted	0.156	
Textile	52103180	Dyed plain weave cotton fabrics, < 85% cotton by wt, mixed mainly/solely with man-made fibers, not over 200 g/m2, of number 69 or higher	0.155	RCA>1
Textile	52104980	Woven fabrics of cotton, nesoi, < 85% cotton by wt, mixed mainly with m-m fibers, n/o 200 g/m2, number 69 or higher, of yarn of diff colors	0.155	RCA>1
Apparel	62063030	Women's or girls' blouses and shirts, not knitted or crocheted, of cotton, nesoi	0.154	RCA>1
Apparel	61034310	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of syn. fibers, cont. 23 percent or more of wool or fine animal hair	0.152	RCA>1
Apparel	61042200	Women's or girls' ensembles, knitted or crocheted, of cotton	0.152	RCA>1
Apparel	61033910	Men's or boys' suit-type jackets and blazers, knitted or crocheted, of artificial fibers	0.149	RCA>1
Apparel	61034320	Men's and boys' bib and brace overalls of synthetic fibers, knitted or crocheted	0.149	RCA>1
Apparel	61041320	Women's or girls' suits, knitted or crocheted, of synthetic fibers, nesoi	0.149	RCA>1
Apparel	61043200	Women's or girls' suit-type jackets and blazers, knitted or crocheted, of cotton	0.149	RCA>1
Apparel	61044420	Women's or girls' dresses, knitted or crocheted, of artificial fibers, nesoi	0.149	
Apparel	61046100	Women's or girls' trousers, bib and brace overalls, breeches and shorts, knitted or crocheted, of wool or fine animal hair	0.149	RCA>1
Apparel	61046220	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of cotton	0.149	
Apparel	61046310	Women's or girls' bib and brace overalls, knitted or crocheted, of synthetic fibers	0.149	RCA>1

Apparel	61046315	Women's or girls' trousers, etc., knitted or crocheted, of synthetic fibers, containing 23 percent or more of wool or fine animal hair	0.149	RCA>1
Apparel	61059010	Men's or boys' shirts, knitted or crocheted, of wool or fine animal hair	0.149	RCA>1
Apparel	61071200	Men's or boys' underpants and briefs, knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	61079200	Men's or boys' bathrobes, dressing gowns and similar articles, knitted or crocheted, of man-made fibers	0.149	
Apparel	61081100	Women's or girls' slips and petticoats, knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	61112020	Babies' T-shirts, singlets and similar garments, except those imported as parts of sets, of cotton	0.149	
Apparel	61112030	Babies' sweaters, pullovers, sweatshirts and similar articles, except those imported as parts of sets, knitted or crocheted, of cotton	0.149	
Apparel	61112050	Babies' trousers, breeches and shorts, except those imported as parts of sets, knitted or crocheted, of cotton	0.149	
Apparel	61119050	Babies' garments and clothing accessories, knitted or crocheted, of artificial fibers, nesoi	0.149	RCA>1
Apparel	61119010	Babies' trousers, breeches and shorts, except those imported as parts of sets, knitted or crocheted, of artificial fibers	0.149	RCA>1
Apparel	61121100	Track suits, knitted or crocheted, of cotton	0.149	RCA>1
Apparel	61143030	Garments nesoi, knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	62019320	Men's or boys' padded, sleeveless jackets, not knitted or crocheted, of man-made fibers, not containing 15% or more by weight of down, etc	0.149	RCA>1
Apparel	62029320	Women's or girls' padded, sleeveless jackets, not knitted or crocheted, of man-made fibers, not cont. 15% or more by weight of down, etc	0.149	RCA>1
Apparel	62031930	Men's or boys' suits, of artificial fibers, nesoi, not knitted or crocheted	0.149	RCA>1
Apparel	62034320	Men's or boys' bib and brace overalls, not knitted or crocheted, of synthetic fibers, not down, not water resistant	0.149	RCA>1
Apparel	62041200	Women's or girls' suits, not knitted or crocheted, of cotton	0.149	RCA>1
Apparel	62044330	Women's or girls' dresses, of synthetic fibers, not knitted or crocheted, containing 36 percent or more of wool or fine animal hair, nesoi	0.149	RCA>1
Apparel	62046315	Women's or girls' bib & brace overalls of synthetic fibers, not knitted or crocheted, not cont. 15% or more by weight of down, etc, nesoi	0.149	RCA>1
Apparel	62079220	Men's or boys' bathrobes, dressing gowns and similar articles, not knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	62081100	Women's or girls' slips and petticoats, not knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	62092030	Babies' trousers, breeches and shorts, except those imported as parts of sets, not knitted or crocheted, of cotton	0.149	RCA>1
Apparel	62092020	Babies' blouses and shirts, except those imported as parts of sets, not knitted or crocheted, of cotton	0.149	RCA>1
Apparel	62099030	Babies' garments and clothing accessories, not knitted or crocheted, nesoi, of artificial fibers	0.149	RCA>1
Apparel	62099020	Babies' trousers, breeches and shorts, except those imported as parts of sets, not knitted or crocheted, of artificial fibers	0.149	RCA>1
Home textile	63022210	Bed linen, not knitted or crocheted, printed, of manmade fibers, containing embroidery, lace,	0.149	RCA>1

		braid, etc or applique work		
Home textile	63023210	Bed linen, not knitted or crocheted, not printed, of manmade fiber, containing embroidery, lace, braid, etc or applique work	0.149	RCA>1
Home textile	63041915	Bedspreads, not knitted or crocheted, of manmade fibers, containing any embroidery, lace, etc.	0.149	RCA>1
Textile	54074200	Woven fabrics, containing 85 percent or more by weight of filaments of nylon or other polyamides, dyed	0.149	
Textile	54075220	Woven fabrics, over 85 percent textured polyester filaments, dyed, nesoi	0.149	
Textile	54075400	Woven fabrics, containing 85 percent or more by weight of textured polyester filaments, printed	0.149	
Textile	54076199	Woven fab, of 85%+ non-text. polyester filaments, nesoi (not wholly polyester single yarns, 75-80 dtx, 24 fil/yarn & twist 900+ turns/m)	0.149	
Textile	54076910	Woven fab, containing 85%+ by wt of polyester filaments nesoi, unbleached or bleached	0.149	
Textile	54076990	Woven fab, containing 85%+ by wt polyester filaments nesoi, printed	0.149	
Textile	54076920	Woven fab, containing 85%+ by wt of polyester filaments nesoi, dyed	0.149	
Textile	54077400	Woven fabrics, containing 85 percent or more by weight of synthetic filaments, printed	0.149	RCA>1
Textile	54078100	Woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with cotton, unbleached or bleached	0.149	
Textile	54078200	Woven fabrics, containing less than 85 percent by weight of synthetic filaments, mixed mainly or solely with cotton, dyed	0.149	
Textile	54078400	Woven fabrics, containing less than 85 percent by weight of synthetic filaments, mixed mainly or solely with cotton, printed	0.149	RCA>1
Textile	54079120	Woven fabrics of synthetic filament yarn nesoi, unbleached or bleached, nesoi	0.149	
Textile	54079220	Woven fabrics of synthetic filament yarn nesoi, dyed, nesoi	0.149	
Textile	54079420	Woven fabrics of synthetic filament yarn nesoi, printed, nesoi	0.149	RCA>1
Textile	54083120	Woven fabrics of artificial filament yarn nesoi, unbleached or bleached, nesoi	0.149	
Textile	55131100	Woven fabric of poly staple fiber,< 85% wt poly staple fibers,mixed mainly/solely w/cotton,wt n/o 170 g/m2,plain weave,unbleached/bleached	0.149	RCA>1
Textile	55131200	Woven 3-or 4-thread twill fabric of poly staple fib,< 85% poly staple fiber,mixed mainly/solely w/cotton,wt n/o 170 g/m2,unbleached/bleached	0.149	
Textile	55131300	Woven fabrics of polyester staple fibers,< 85% polyester staple fibers, mixed mainly/solely w/cotton,n/o 170 g/m2,unbleached/bleached, nesoi	0.149	RCA>1
Textile	55131900	Woven fabrics of synthetic staple fibers nesoi, < 85% by weight of such fibers, mixed with cotton, n/o 170g/m2, unbleached or bleached	0.149	
Textile	55132100	Woven fabrics of polyester staple fibers, < 85% polyester staple fibers, mixed mainly/solely w/cotton, not over 170 g/m2, plain weave, dyed	0.149	
Textile	55132200	Woven 3- or 4-thread twill fabric of poly staple fib, < 85% polyester staple fibers, mixed mainly/solely w/cotton, n/o 170 g/m2, dyed	0.149	RCA>1
Textile	55132300	Woven fabrics of polyester staple fibers, < 85% by wt polyester staple fibers, mixed mainly/solely w/cotton, not over 170 g/m2, dyed, nesoi	0.149	
Textile	55132900	Woven fabrics of synthetic staple fibers nesoi, < 85% by wt of such fibers, mixed mainly/solely w/cotton, weighing n/o 170g/m2, dyed, nesoi	0.149	RCA>1

Textile	55133100	Woven fabrics of poly staple fib,< 85% polyester staple fibers,mixed mainly/solely w/cotton,n/o 170 g/m2,plain weave,of yarns of dif. colors	0.149	RCA>1
Textile	55133300	Woven fabrics of poly staple fib, < 85% by wt polyester staple fibers,mixed mainly/solely w/cotton, wt n/o 170 g/m2, of yarns of dif. colors	0.149	RCA>1
Textile	55133900	Woven fabrics of synthetic staple fibers nesoi,< 85% by wt of such fibers, mixed mainly/solely w/cotton, n/o 170g/m2, of dif. colored yarns	0.149	RCA>1
Textile	55134100	Printed plain weave fabrics of poly staple fib,< 85% by weight polyester staple fibers, mixed mainly/solely with cotton, n/o 170g/m2	0.149	RCA>1
Textile	55134300	Printed woven fabrics of polyester staple fibers, < 85% by wt polyester staple fibers, mixed mainly/solely with cotton, weighing n/o 170g/m2	0.149	RCA>1
Textile	55141100	Plain weave fabrics of poly staple fiber,< 85% wt polyester staple fibers, mixed mainly/solely w/cotton, wt ov 170 g/m2, unbleached/bleached	0.149	
Textile	55141200	Wov 3-or 4-thread twill fabric of poly staple fib,< 85% polyester staple fiber,mixed mainly/solely w/cotton,ov 170 g/m2,unbleached/bleached	0.149	
Textile	55141300	Woven fabric of poly staple fiber, < 85% wt polyester staple fibers, mixed mainly/solely w/cotton, over 170 g/m2, unbleached/bleached, nesoi	0.149	RCA>1
Textile	55142100	Plain weave fabrics of polyester staple fiber, < 85% by wt polyester staple fibers, mixed mainly/solely with cotton, over 170 g/m2, dyed	0.149	RCA>1
Textile	55142200	Wov 3-or 4-thread twill fabric of poly staple fib,incl cross twill,< 85% poly staple fibers,mixed mainly/solely w/cotton,ov 170 g/m2, dyed	0.149	RCA>1
Textile	55142300	Woven fabrics of polyester staple fib, < 85% by wt polyester staple fibers, mixed mainly/solely w/cotton, over 170 g/m2, dyed, nesoi	0.149	
Textile	55143200	Woven 3-or 4-thread twill fabric of poly staple fib,< 85% poly staple fibers,mixed mainly/solely w/cotton,ov 170 g/m2,of yarn of dif. colors	0.149	RCA>1
Textile	55144200	Printed 3-or 4-thread twill fab of poly staple fib,incl cross twill,< 85% by wt poly staple fibers, mixed mainly/solely w/cotton,ov 170g/m	0.149	RCA>1
Textile	55161100	Woven fabrics of artificial staple fibers, containing 85% or more by weight of such fibers, unbleached or bleached	0.149	RCA>1
Textile	55161200	Woven fabrics of artificial staple fibers, containing 85% or more by weight of such fibers, dyed	0.149	RCA>1
Textile	55162100	Woven fabrics of artificial staple fibers, < 85% by weight of such fibers, mixed mainly/solely with man-made filaments, unbleached/bleached	0.149	RCA>1
Textile	55162400	Woven fabrics of artificial staple fibers, < 85% by weight of such fibers, mixed mainly or solely with man-made filaments, printed	0.149	RCA>1
Textile	55164100	Woven fabrics of artificial staple fibers, < 85% by weight of such fibers, mixed mainly or solely with cotton, unbleached or bleached	0.149	RCA>1
Textile	58090000	Woven fabrics of metal thread & woven fabrics of metallized yarn of heading 5605, used in apparel, as furnishing fabrics or the like, nesoi	0.149	RCA>1
Textile	52084180	Plain weave fabrics of cotton, 85% or more cotton by weight, weighing not over 100 g/m2, of number 69 or higher, of yarn of different colors	0.147	RCA>1
Textile	52084250	Plain weave fabrics of cotton, 85% or more cotton by weight, over 100 but n/o 200 g/m2, number 69 or higher, of yarns of different colors	0.147	RCA>1

Textile	52084980	Woven fabrics of cotton, nesoi, 85% or more cotton by weight, wt not over 200 g/m2, of number 69 or higher, of yarns of different colors	0.147	RCA>1
Textile	52102980	Bleached woven fabrics of cotton, nesoi, < 85% cotton by wt, mixed mainly/solely with man-made fibers, n/o 200 g/m2, of number 69 or higher	0.147	RCA>1
Apparel	61152090	Women's full-length or knee-length hosiery, measuring per single yarn less than 67 decitex containing under 70% by wt of silk, knitted/croc	0.146	
Apparel	61159390	Stockings, socks, etc. nesoi, knitted or crocheted, of synthetic fibers (not containing lace or net)	0.146	RCA>1
Apparel	61159918	Hosiery nesoi, knitted or crocheted, of artificial fibers, other than those containing lace or net	0.146	RCA>1
Apparel	61178095	Made up clothing accessories (excl shawl, scarve, and like, tie, cravat, headband, ponytail holder and like), cont < 70% wt of silk, k/c	0.146	RCA>1
Apparel	61178085	Headbands, ponytail holders & similar articles, of textile materials other than containing 70% or more by weight of silk, knitted/crocheted	0.146	RCA>1
Apparel	62171095	Made up clothing accessories (excl of heading 6212 or headbands, ponytail holders & like), containing < 70% wgt of silk, not knit/crochet	0.146	RCA>1
Apparel	62171085	Headbands, ponytail holders and similar articles, of textile materials containing < 70% by weight of silk, not knit/crochet	0.146	RCA>1
Apparel	62179090	Parts of garments or of clothing accessories(excl those of heading 6212), containing under 70% by weight of silk or silk waste, n/knit/croc	0.146	RCA>1
Textile	58101000	Embroidery in the piece, in strips or in motifs, without visible ground	0.141	RCA>1
Textile	60032010	Warp knit open-worked fabrics of cotton, width not exceeding 30 cm, other than those of heading 6001 or 6002	0.141	RCA>1
Leather	42032930	Men's gloves, mittens and mitts of leather or composition leather, nesi, seamed	0.14	
Leather	42032908	Gloves, wholly of horsehide or cowhide (except calfskin) leather, not specially designed for use in sports, nesi	0.14	
Leather	42032918	Gloves not wholly of horsehide or cowhide leather not specially designed for use in sports, nesi	0.14	
Leather	42032915	Gloves not wholly of horsehide or cowhide leather not specially designed for use in sports, with fourchettes or sidewalls	0.14	
Textile	40151950	Nonseamless gloves of vulcanized rubber other than hard rubber, other than surgical or medical gloves	0.14	RCA>1
Textile	58022000	Terry toweling and similar woven terry fabrics (other than narrow fabrics of heading 5806) of textile materials other than cotton	0.14	RCA>1
Apparel	61034120	Men's or boys' bib and brace overalls, knitted or crocheted, of wool or fine animal hair	0.136	RCA>1
Apparel	61034920	Men's or boys' bib and brace overalls, knitted or crocheted, of artificial fibers	0.136	RCA>1
Apparel	61046910	Women's or girls' bib and brace overalls, knitted or crocheted, of artificial fibers	0.136	RCA>1
Apparel	61052010	Men's or boys' shirts, knitted or crocheted, of manmade fibers, containing 23 percent or more of wool or fine animal hair	0.136	RCA>1
Apparel	61079920	Men's or boys' bathrobes, dressing gowns and similar articles, knitted or crocheted, of wool or fine animal hair	0.136	RCA>1
Apparel	62046325	Women's or girls' trousers, breeches & shorts, not knit or crocheted, of syn. fibers, cont. 36% or more of wool or fine animal hair, nesoi	0.136	RCA>1

Textile	54071000	Woven fabrics obtained from high tenacity yarn of nylon or other polyamides or of polyesters	0.136	
Textile	55121900	Woven fabrics containing 85% or more by weight of polyester staple fibers, other than unbleached or bleached	0.136	RCA>1
Textile	55134200	Printed 3-or 4-thread twill fabric of poly staple fib,incl cross twill,< 85% wt poly staple fibers,mixed mainly/solely w/cotton,n/o 170g/m2	0.136	RCA>1
Apparel	61033200	Men's or boys' suit-type jackets and blazers, knitted or crocheted, of cotton	0.135	RCA>1
Apparel	61159290	Stockings, socks, etc. nesoi (not surgical and not containing lace or net), knitted or crocheted, of cotton	0.135	RCA>1
Textile	52082980	Bleached woven fabrics of cotton, nesoi, containing 85% or more cotton by weight, weighing not more than 200 g/m2, of number 69 or higher	0.135	
Textile	52101180	Unbleached plain weave fabrics of cotton, < 85% cotton, mixed mainly/solely with man-made fibers, wt < 200 g/m2, of number 69 or higher	0.135	RCA>1
Apparel	61161055	Gloves, mittens & mitts(excl ports), impreg etc, not cut & sewn from pre-existing fabric, w/o fourch, con 50% or more wt of tex fibers, k/c	0.132	RCA>1
Apparel	61161075	Gloves, mittens & mitts(excl sports), impreg etc, not cut & sewn from pre-existing fabric, with fourch, con 50% or more wt of text fib, k/c	0.132	RCA>1
Apparel	62031910	Men's or boys' suits, not knitted or crocheted, of cotton	0.132	RCA>1
Apparel	62132010	Handkerchiefs, not knitted or crocheted, of cotton, hemmed, not containing lace or embroidery	0.132	
Apparel	62160024	Gloves, mittens and mitts(excl sports), w/o four, impreg etc, not cut & sewn from pre-exist fab, con 50% or more wt cotton/mmff, not k/c	0.132	RCA>1
Textile	55095300	Yarn (other than sewing thread) of polyester staple fibers mixed mainly or solely with cotton, not put up for retail sale	0.132	
Textile	58043000	Hand-made lace, in the piece, in strips or in motifs (other than fabrics of heading 6002)	0.132	RCA>1
Apparel	62160029	Gloves, mittens and mitts(excl sports), impreg, etc., with fourchettes, cont 50% or more by wt of cotton, mmf or combo thereof, not knit/croc	0.13	RCA>1
Leather	42032940	Gloves, mittens and mitts of leather or composition leather, nesi, not lined, for persons other than men	0.126	
Leather	42032950	Gloves, mittens and mitts of leather or composition leather, nesi, lined, for persons other than men	0.126	
Leather	42032920	Gloves, mittens and mitts of leather or composition leather, nesi, not seamed	0.126	
Leather	42032905	Gloves, wholly of horsehide or cowhide leather not specially designed for use in sports, with fourchettes or sidewalls	0.126	
Apparel	61161013	Gloves, mittens & mitts, w/o four., k/c, coated w. plastics/rubber nesoi, cut & sewn, of veg. fibers, cont. > 50% by wt. of plastics/rubber	0.125	RCA>1
Sports goods	62160013	Gloves etc. (excl. for sports etc.), not k/c, impreg. etc. with plas/rub, w/o four., cut & sewn, of veg. fibers, over 50% by wt. plas/rub	0.125	RCA>1
Textile	52083180	Dyed plain weave fabrics of cotton, containing 85% or more cotton by weight, weighing not more than 100 g/m2, of number 69 or higher, nesoi	0.125	RCA>1
Textile	52083250	Dyed plain weave fabrics of cotton, nesoi, 85% or more cotton by weight, over 100 g/m2 but not more than 200 g/m2, of number 69 or higher	0.125	RCA>1

Textile	52083980	Dyed woven fabrics of cotton, nesoi, containing 85% or more cotton by weight, weighing not more than 200 g/m2, of number 69 or higher	0.125	
Textile	52085180	Printed plain weave fabrics of cotton, containg 85% or more cotton by weight, weighing not over 100 g/m2, of number 69 or higher	0.125	RCA>1
Textile	52085250	Printed plain weave fabrics of cotton, 85% or more cotton by weight, weighing over 100g/m2 but not more than 200g/m2, of number 69 or higher	0.125	RCA>1
Apparel	62034325	Men's or boys' trousers, breeches and shorts, not knitted or crocheted, of synthetic fibers, certified hand-loomed and folklore products	0.122	RCA>1
Apparel	62034915	Men's or boys' trousers, breeches and shorts, not knitted or crocheted, of artificial fibers, certified hand-loomed and folklore products	0.122	RCA>1
Apparel	62053010	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, certified hand-loomed and folklore products	0.122	RCA>1
Textile	52103160	Dyed plain weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely with man-made fibers, not over 200 g/m2, of numbers 43-68	0.122	RCA>1
Textile	52103960	Dyed woven fabrics of cotton, nesoi, < 85% cotton by weight, mixed mainly/solely w/man-made fibers, not over 200 g/m2, of numbers 43-68	0.122	
Textile	52104160	Plain weave cotton fabrics, < 85% cotton by wt, mixed mainly/solely w/mm fibers, n/o 200 g/m2, of numbers 43-68, of yarn of different colors	0.122	
Textile	52105160	Printed plain weave cotton fabrics, < 85% cotton by wt, mixed mainly/solely with man-made fibers, n/o 200 g/m2, of numbers 43-68	0.122	
Apparel	62113100	Men's or boys' track suits or other garments nesoi, not knitted or crocheted, of wool or fine animal hair	0.12	RCA>1
Home textile	63041110	Bedspreads of cotton, knitted or crocheted, excluding those of heading 9404	0.12	RCA>1
Home textile	63041905	Bedspreads, not knitted or crocheted, of cotton, containing any embroidery, lace, etc.	0.12	RCA>1
Textile	52051520	Single cotton yarn, 85% or more cotton, of uncombed fibers, over 80 nm, bleached or mercerized, not put up for retail sale, nesoi	0.12	RCA>1
Textile	52052600	Single cotton yarn,85% or > cotton by wt, of combed fiber, meas.<125 but not<106.38 decitex, >80nm but not >94nm, not put up for retail sale	0.12	RCA>1
Textile	52052700	Single cotton yarn,85% or > cotton by wt,of combed fiber,meas.<106.38 but not<83.33 decitex, >94nm but not >120nm,not put up for retail sale	0.12	RCA>1
Textile	52052800	Single cotton yarn, 85% or > cotton by wt, of combed fibers, meas.<83.33 decitex, >120 nm, not put up for retail sale	0.12	RCA>1
Textile	52053500	Multiple or cabled cotton yarn, 85% or more cotton by weight, of uncombed fibers, over 80 nm per single yarn, not put up for retail sale	0.12	RCA>1
Textile	52054600	Multiple or cabled cotton yarn, 85% or > cotton by wt, of combed fibers, >80nm but not >94nm/single yarn, not put up for retail sale	0.12	RCA>1
Textile	52054700	Multiple or cabled cotton yarn, 85% or > cotton by wt, of combed fibers, >94nm but not >120nm/single yarn, not put up for retail sale	0.12	RCA>1
Textile	52054800	Multiple or cabled cotton yarn, 85% or > cotton by wt, of combed fibers, >120nm per single yarn, not put up for retail sale	0.12	RCA>1
Textile	54079410	Woven fabrics of synthetic filament yarn nesoi, mixed mainly/solely with wool/fine animal hair,	0.12	RCA>1

		contain < 36% wool/fine animal hair, printed		
Textile	54082329	Woven fabric, 85%+ artificial filament/strip, of yarns of different colors, not 69-142 warp & 31-71 filling yarns, not of cupra/rayon, nesoi	0.12	RCA>1
Textile	54082321	Woven fabric, 85%+ artificial filament/strip, of yarns of different colors, not 69-142 warp & 31-71 filling yarns, of cupra/rayon, nesoi	0.12	RCA>1
Textile	54083390	Woven fabrics of artificial filament yarn nesoi, of yarns of different colors, nesoi	0.12	RCA>1
Textile	54083310	Woven fabrics of artificial filament yarn nesoi, mixed mainly or solely with wool or fine animal hair, of yarns of different colors, nesoi	0.12	RCA>1
Textile	55096200	Yarn (other than sewing thread) of acrylic or modacrylic staple fibers mixed mainly or solely with cotton, not put up for retail sale	0.12	RCA>1
Textile	55121100	Woven fabrics containing 85% or more by weight of polyester staple fibers, unbleached or bleached	0.12	RCA>1
Textile	55143300	Woven fabrics of poly staple fiber, < 85% polyester staple fibers, mixed mainly/solely w/cotton, ov 170 g/m2, of yarns of different colors, nesoi	0.12	RCA>1
Textile	55151200	Woven fabrics of polyester staple fibers, mixed mainly or solely with man-made filaments, nesoi	0.12	RCA>1
Textile	55151900	Woven fabrics of polyester staple fibers, nesoi	0.12	RCA>1
Textile	55163410	Woven fabrics of artificial staple fibers, < 85% of such fibers, mixed mainly or solely with wool or fine animal hair, printed, nesoi	0.12	RCA>1
Textile	55169100	Woven fabrics of artificial staple fibers nesoi, unbleached or bleached, nesoi	0.12	RCA>1
Textile	55169400	Woven fabrics of artificial staple fibers nesoi, printed, nesoi	0.12	RCA>1
Home textile	63022130	Bed linen, not knitted or crocheted, printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, napped	0.119	RCA>1
Home textile	63023130	Bed linen, not knit/croc, not printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, napped	0.119	RCA>1
Apparel	62044210	Women's or girls' dresses, not knitted or crocheted, of cotton, certified hand-loomed and folklore products	0.118	RCA>1
Apparel	62092010	Babies' dresses, not knitted or crocheted, of cotton	0.118	RCA>1
Apparel	61044200	Women's or girls' dresses, knitted or crocheted, of cotton	0.115	RCA>1
Apparel	61112040	Babies' dresses, knitted or crocheted, of cotton	0.115	
Textile	52082160	Woven cotton fabric, 85% or more cotton by weight, plain weave, not over 100 g/m2, bleached, of number 69 or higher	0.115	
Textile	52082280	Woven cotton fabric, 85% or more cotton by weight, plain weave, over 100 but n/o 200 g/m2, bleached, of number 69 or higher	0.115	RCA>1
Home textile	63022220	Bed linen, not knitted or crocheted, printed, of manmade fibers, nesoi	0.114	RCA>1
Home textile	63023220	Bed linen, not knitted or crocheted, not printed, of manmade fibers, nesoi	0.114	RCA>1
Textile	52084160	Plain weave fabrics of cotton, 85% or more cotton by weight, weighing not over 100 g/m2, of numbers 43-68, of yarns of different colors	0.114	RCA>1
Textile	52084240	Plain weave fabrics of cotton, 85% or more cotton by weight, over 100 but n/o 200 g/m2, of numbers 43-68, of yarns of different colors	0.114	RCA>1
Textile	52085160	Printed plain weave fabrics of cotton, containing 85% or more cotton by weight, weighing not	0.114	RCA>1

		over 100 g/m2, of numbers 43-68		
Textile	52085240	Printed plain weave fabrics of cotton, 85% or more cotton by weight, weighing over 100 g/m2 but not more than 200 g/m2, of numbers 43-68	0.114	RCA>1
Textile	52102160	Bleached plain weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely with man-made fibers, not over 200 g/m2, of numbers 43-68	0.114	
Textile	52102960	Bleached woven fabrics of cotton, nesoi, < 85% cotton by weight, mixed mainly/solely with man-made fibers, n/o 200 g/m2, of numbers 43-68	0.114	RCA>1
Textile	54083315	Woven fabrics cont. 85% or more mm filaments nesoi, thread count > 69-142/cm warp and > 31-71/cm filling, of different colored yarns	0.114	RCA>1
Apparel	61159100	Hosiery nesoi, knitted or crocheted, of wool or fine animal hair	0.113	RCA>1
Apparel	61171020	Shawls, scarves, mufflers, mantillas, veils and the like, knitted or crocheted, of man-made fibers	0.113	
Apparel	62044310	Women's or girls' dresses, not knitted or crocheted, of synthetic fibers, certified hand-loomed and folklore products	0.113	RCA>1
Apparel	62044420	Women's or girls' dresses, not knitted or crocheted, of artificial fibers, nesoi, certified hand-loomed and folklore products	0.113	RCA>1
Apparel	62046320	Women's or girls' trousers, breeches & shorts, not knit or crocheted, of synthetic fibers, nesoi, certified hand-loomed & folklore products	0.113	RCA>1
Apparel	62149000	Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, of textile materials nesoi	0.113	RCA>1
Home textile	63025300	Table linen of man-made fibers, not knitted or crocheted	0.113	RCA>1
Home textile	63031200	Curtains (including drapes), interior blinds and valances of synthetic fibers, knitted or crocheted	0.113	RCA>1
Home textile	63039220	Curtains (including drapes), interior blinds and valances, nesoi, of synthetic fibers, not knitted or crocheted	0.113	RCA>1
Home textile	63039210	Curtains/drapes, inter. blinds, etc. of syn fib, made up from fab of subh 5407.60.11/5407.60.21/5407.60.91, not knitted or crocheted	0.113	RCA>1
Home textile	63039900	Curtains (including drapes),interior blinds, valances of textile materials other than of cotton or of synthetic fibers,not knitted/crocheted	0.113	RCA>1
Home textile	63049915	Wall hangings, not knitted or crocheted, of wool or fine animal hair, nesoi	0.113	RCA>1
Home textile	63049935	Furnishing articles (excl. those of heading 9404 and other than bedspreads and jute wall hangings) of veg. fibers (excl. cotton), not k/c	0.113	RCA>1
Home textile	63049925	Wall hangings of jute, excluding those of heading 9404	0.113	RCA>1
Apparel	62089130	Women's or girls' undershirts and underpants, not knitted or crocheted, of cotton	0.112	RCA>1
Gems & Jewellery	71171990	Imitation jewelry (o/than toy jewelry & rope, curb, cable, chain, etc.), of base metal (wheth. or n/plated w/prec.metal), nesoi	0.11	
Gems & Jewellery	71179090	Imitation jewelry not of base metal or plastics, nesoi, over 20 cents/dozen pcs or pts	0.11	
Apparel	61142000	Garments nesoi, knitted or crocheted, of cotton	0.108	RCA>1
Textile	55091200	Yarn (other than sewing thread) cont. 85% or more by weight of nylon/polyamide staple fibers, multiple or cabled, not put up for retail sale	0.106	

Textile	55092200	Yarn (other than sewing thread) cont. 85% or more by weight of polyester staple fibers, multiple or cabled, not put up for retail sale	0.106	RCA>1
Textile	55099940	Yarn (not sewing thread) of synthetic staple fibers nesoi, mixed mainly/solely w/artificial staple fibers, multiple, not for retail sale	0.106	
Textile	55101200	Yarn (other than sewing thread) cont. 85% or more by weight of artificial staple fibers, multiple or cabled, not put up for retail sale	0.106	RCA>1
Apparel	62071990	Men's or boys' underpants and briefs, of textile mats(except cotton), cont under 70% by wt of silk or silk waste, not knitted/crocheted	0.105	RCA>1
Apparel	62079240	Men's or boys' singlets and other undershirts, not knitted or crocheted, of man-made fibers, nesoi	0.105	RCA>1
Gems & Jewellery	71031040	Precious stones (o/than diamonds) & semiprecious stones, simply sawn or roughly shaped	0.105	RCA>1
Gems & Jewellery	71039950	Precious or semiprecious stones, nesoi, worked, whether or not graded, but n/strung (ex. ungraded temporarily strung), mtd. or set	0.105	
Gems & Jewellery	71162040	Semiprecious stone (except rock crystal) articles (other than jewelry and figurines)	0.105	RCA>1
Leather	64041120	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, w/ext. surf. of uppers over 50% leather	0.105	RCA>1
Textile	52081980	Unbleached woven fabrics of cotton, nesoi, 85% or more of cotton by weight, weighing not more than 200 g/m2, of number 69 or higher	0.105	RCA>1
Apparel	62160058	Gloves, mittens & mitts (excl. for sports), not impregnated, coated or covered with plastics or rubber, of mmf, with fourchettes	0.104	RCA>1
Apparel	62160054	Gloves, mittens & mitts (excl. for sports), not impregnated, coated or covered with plastics or rubber, of man-made fibers, w/o fourchettes	0.104	RCA>1
Textile	52104960	Woven fabrics of cotton,nesoi,< 85% cotton by wt,mixed mainly/solely w/man-made fibers, n/o 200 g/m2, numbers 43-68, of yarn of diff colors	0.104	RCA>1
Apparel	61034220	Men's or boys' bib and brace overalls, knitted or crocheted, of cotton	0.103	RCA>1
Apparel	61046210	Women's or girls' bib and brace overalls, knitted or crocheted, of cotton	0.103	
Apparel	62034220	Men's or boys' bib and brace overalls, not knitted or crocheted, of cotton, not containing 10 to 15% or more by weight of down, etc	0.103	RCA>1
Apparel	62160021	Gloves, mittens and mitts(excl sports), w/o four, impreg etc, cut & sewn from pre-exist impreg fab, of non-veg fib, con < 50% wt plas/rub	0.103	RCA>1
Home textile	63031100	Curtains (including drapes), interior blinds and valances of cotton, knitted or crocheted	0.103	RCA>1
Home textile	63039100	Curtains (including drapes), interior blinds and valances of cotton, not knitted or crocheted	0.103	RCA>1
Textile	52083300	Dyed 3- or 4-thread twill fabrics of cotton, including cross twill, 85% or more cotton by weight, weighing not more than 200 g/m2	0.103	RCA>1
Textile	52085920	Printed satin or twill weave fabrics of cotton, containing 85% or more cotton by weight, weighing not more than 200 g/m2, nesoi	0.103	
Textile	52102920	Bleached satin or twill weave fabrics of cotton, < 85% cotton by weight, mixed mainly/solely with man-made fibers, not more than 200 g/m2	0.103	RCA>1

Textile	52082140	Woven cotton fabric, 85% or more cotton by weight, plain weave, not over 100 g/m2, bleached, of numbers 43-68	0.102	
Textile	52101160	Unbleached plain weave fabrics of cotton, < 85% cotton, mixed mainly/solely with man-made fibers, wt < 200 g/m2, of numbers 43-68	0.102	RCA>1
Textile	52101980	Unbleached woven fabrics of cotton, nesoi, < 85% cotton by wt, mixed mainly/solely w/man-made fibers, n/o 200 g/m2, of number 69 or higher	0.102	
Apparel	61013015	Men's or boy's overcoat, etc., knitted or crocheted, of manmade fibers, containing 23% or more wool or fine animal hair, nesoi	0.1	RCA>1
Apparel	61031100	Men's or boys' suits, knitted or crocheted, of wool or fine animal hair	0.1	RCA>1
Apparel	61033310	Men's or boys' suit-type jackets and blazers, knitted or crocheted, of synthetic fibers, containing 23% or more of wool or fine animal hair	0.1	RCA>1
Apparel	61159260	Stockings, socks, etc. (not surgical), knitted or crocheted, of cotton, containing lace or net	0.1	RCA>1
Leather	42022160	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, n/o \$20 ea.	0.1	
Textile	52103140	Dyed plain weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely with man-made fibers, not over 200 g/m2, of number 42 or lower	0.1	RCA>1
Textile	52103200	Dyed 3 or 4-thread twill fabrics of cotton, incl. cross twill, < 85% cotton by wt, mixed mainly/solely with man-made fibers, wt n/o 200 g/m2	0.1	
Textile	52103920	Dyed satin or twill weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely with man-made fibers, weighing not more than 200 g/m2	0.1	
Textile	52104940	Woven fabrics of cotton, nesoi, < 85% cotton by wt, mixed mainly/solely w/mm fibers, n/o 200g/m2, of number 42 or lower, of yarn of diff colors	0.1	RCA>1
Textile	52104920	Satin or twill weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely w/mm fibers, wt n/o 200g/m2, of yarn of different colors, nesoi	0.1	RCA>1
Textile	52105140	Printed plain weave cotton fabrics, < 85% cotton by wt, mixed mainly/solely with man-made fibers, n/o 200 g/m2, of number 42 or lower	0.1	
Textile	52105920	Printed satin or twill weave cotton fabrics, nesoi, < 85% cotton by wt, mixed mainly/solely with man-made fibers, weighing n/o 200 g/m2	0.1	
Textile	54033100	Single yarn of viscose rayon (not high ten. or sewing thread), untwisted or with a twist not over 120 turns/m, not put up for retail sale	0.1	
Textile	55093200	Yarn (not sewing thread) cont. 85% or more by wt. of acrylic or modacrylic staple fibers, multiple or cabled, not put up for retail sale	0.1	
Textile	60051000	Warp knit fabrics (including those made on galloon knitting machines) of wool or fine animal hair, other than those of headings 6001 to 6004	0.1	RCA>1
Textile	60052100	Unbleached or bleached warp knit fabrics (including those made on galloon knitting machines) of cotton, other than of headings 6001 to 6004	0.1	RCA>1
Textile	60053100	Unbleached or bleached warp knit fabrics (including made on galloon knitting machines) of synthetic fibers, other than headings 6001 to 6004	0.1	
Textile	60053200	Dyed warp knit fabrics (including those made on galloon knitting machines) of synthetic fibers, other than those of headings 6001 to 6004	0.1	
Textile	60061000	Knitted or crocheted fabrics of wool or fine animal hair, nesoi	0.1	RCA>1

Textile	60062190	Unbleached or bleached knitted or crocheted fabrics of cotton, nesoi	0.1	RCA>1
Textile	60062110	Unbleached or bleached circular knit fabric, wholly of cotton yarns over 100 metric number per single yarn, nesoi	0.1	RCA>1
Textile	60062290	Dyed knitted or crocheted fabrics of cotton, nesoi	0.1	
Textile	60062490	Printed knitted or crocheted fabrics of cotton, nesoi	0.1	
Textile	60063100	Unbleached or bleached knitted or crocheted fabrics of synthetic fibers, nesoi	0.1	
Textile	60063200	Dyed knitted or crocheted fabrics of synthetic fibers, nesoi	0.1	
Textile	60064100	Unbleached or bleached knitted or crocheted fabrics of artificial fibers, nesoi	0.1	RCA>1
Textile	60064200	Dyed knitted or crocheted fabrics of artificial fibers, nesoi	0.1	RCA>1

Source: Based on data from the US DOC and U.N. Comtrade

Appendix 8

Pakistan's Priority Product List under ROZs

Sector	HTS8	BRIEF_DESCRIPTION	U.S. MFN Tariff	RCA Indicator
Sports goods	64041170	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$3 but n/o \$6.50/pr, nesoi	0.587	RCA>1
Sports goods	64041150	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued n/o \$3/pair, nesoi	0.48	RCA>1
Sports goods	64041140	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, val. n/o \$3/pair, w/soles fixed w/adhesives w/o foxing	0.375	RCA>1
Sports goods	64041160	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, val. o/\$3 but n/o \$6.50/pr, w/soles fixed w/adhesives	0.375	RCA>1
Apparel	61052020	Men's or boys' shirts, knitted or crocheted, of manmade fibers, nesoi	0.32	RCA>1
Apparel	61103030	Sweaters, pullovers and similar articles, knitted or crocheted, of manmade fibers, nesoi	0.32	RCA>1
Apparel	61143020	Bodysuits and bodyshirts, knitted or crocheted, of man-made fibers	0.32	RCA>1
Apparel	61062020	Women's or girls' blouses and shirts, knitted or crocheted, of man-made fibers, nesoi	0.32	
Apparel	61099010	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of man-made fibers	0.32	
Apparel	61113030	Babies' T-shirts, singlets and similar garments, except those imported as parts of sets, knitted or crocheted, of synthetic fibers	0.32	
Apparel	61042300	Women's or girls' ensembles, knitted or crocheted, of synthetic fibers	0.306	RCA>1
Apparel	61032910	Men's or boys' ensembles, knitted or crocheted, of artificial fibers	0.305	RCA>1
Apparel	61032920	Men's or boys' ensembles, knitted or crocheted, of textile materials nesoi	0.305	RCA>1
Apparel	62032930	Men's or boys' ensembles, not knitted or crocheted, of textile materials nesoi	0.305	RCA>1
Apparel	62032920	Men's or boys' ensembles, not knitted or crocheted, of artificial fibers	0.305	RCA>1
Apparel	61032300	Men's or boys' ensembles, knitted or crocheted, of synthetic fibers	0.3	RCA>1
Apparel	62046335	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of synthetic fibers, nesoi	0.286	RCA>1
Apparel	62046925	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of artificial fibers, nesoi	0.286	
Apparel	62093020	Babies' trousers, breeches and shorts, except those imported as parts of sets, not knitted or crocheted, of synthetic fibers	0.286	
Apparel	61042910	Women's or girls' ensembles, knitted or crocheted, of artificial fibers	0.282	RCA>1
Apparel	61042920	Women's or girls' ensembles, knitted or crocheted, of textile materials nesoi	0.282	RCA>1
Apparel	61013020	Men's or boy's overcoats, carcoats, capes, cloaks, windbreakers and similar articles, knitted or crocheted, of man-made fibers, nesoi	0.282	RCA>1
Apparel	61023020	Women's or girls' overcoats, carcoats, capes, windbreakers and similar articles, knitted or crocheted, of manmade fibers, nesoi	0.282	RCA>1
Apparel	61031220	Men's or boys' suits, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1

Apparel	61033320	Men's or boys' suit-type jackets and blazers, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1
Apparel	61034315	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1
Apparel	61034910	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of artificial fibers	0.282	RCA>1
Apparel	61043320	Women's or girls' suit-type jackets and blazers, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1
Apparel	61046320	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of synthetic fibers, nesoi	0.282	RCA>1
Apparel	61046920	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of artificial fibers	0.282	RCA>1
Apparel	61121200	Track suits, knitted or crocheted, of synthetic fibers	0.282	RCA>1
Apparel	61121910	Track suits, knitted or crocheted, of artificial fibers	0.282	RCA>1
Apparel	61143010	Tops, knitted or crocheted, of man-made fibers	0.282	RCA>1
Apparel	62034340	Men's or boys' trousers, breeches & shorts, of synthetic fibers, con under 15% wt down etc, cont under 36% wt wool, n/water resist, not k/c	0.279	RCA>1
Apparel	62034920	Men's or boys' trousers, breeches and shorts, not knitted or crocheted, of artificial fibers, nesoi	0.279	RCA>1
Apparel	62111110	Men's or boys' swimwear, not knitted or crocheted, of man-made fibers	0.278	RCA>1
Apparel	62011340	Men's or boys' overcoats, carcoats, capes, cloaks and similar coats, not knitted or crocheted, of manmade fibers, nesoi	0.277	RCA>1
Apparel	62019335	Men's or boys' anoraks, windbreakers and similar articles, not knitted or crocheted, of manmade fibers, nesoi	0.277	RCA>1
Apparel	62029350	Women's or girls' anoraks, windbreakers and similar articles, not knitted or crocheted, of man-made fibers, nesoi	0.277	RCA>1
Apparel	62021340	Women's or girls' overcoats, carcoats, capes, cloaks and similar articles, not knitted or crocheted, of man-made fibers, nesoi	0.277	
Apparel	62031220	Men's or boys' suits, of synthetic fibers, under 36% by weight of wool, not knitted or crocheted	0.273	RCA>1
Apparel	62033320	Men's or boys' suit-type jackets and blazers, not knitted or crocheted, of synthetic fibers, under 36% by weight of wool	0.273	RCA>1
Apparel	62033920	Men's or boys' suit-type jackets and blazers, not knitted or crocheted, of artificial fibers, under 36% by weight of wool	0.273	RCA>1
Apparel	62043350	Women's or girls' suit-type jackets and blazers, not knitted or crocheted, of synthetic fibers, nesoi	0.273	
Apparel	62064030	Women's or girls' blouses and shirts, not knitted or crocheted, of manmade fibers, nesoi	0.269	
Apparel	62042920	Women's or girls' ensembles, not knitted or crocheted, of artificial fibers	0.262	RCA>1
Apparel	61119040	Babies' sweaters, sweatshirts, and similar articles, except those imported as parts of sets, knitted or crocheted, of artificial fibers	0.26	RCA>1
Apparel	61123100	Men's or boys' swimwear, knitted or crocheted, of synthetic fibers	0.259	RCA>1
Apparel	62041320	Women's or girls' suits, not knitted or crocheted, of synthetic fibers, nesoi	0.259	RCA>1
Apparel	62041920	Women's or girls' suits, not knitted or crocheted, of artificial fibers, nesoi	0.259	RCA>1
Apparel	62053020	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, nesoi	0.259	RCA>1
Apparel	61161017	Gloves, mittens & mitts, w/o four., k/c, coated w. plastics/rubber, nesoi, cut & sewn, of veg. fibers, cont. 50 % or less wt. of plas./rub.	0.235	RCA>1
Apparel	61169264	Gloves, mittens & mitts, (excl. ski or snowmobile), knitted or crocheted, of cotton, made from a	0.235	RCA>1

		pre-existing machine knit fabric, w/o four.		
Apparel	61169274	Gloves, mittens & mitts (excl. ski or snowmobile), k/c, of cotton, from a pre-existing machine knit fabric, with fourchettes	0.235	RCA>1
Apparel	62042300	Women's or girls' ensembles, not knitted or crocheted, of synthetic fibers	0.235	RCA>1
Apparel	62160038	Gloves, mittens & mitts (excl. for sports), not impregnated, coated or covered with plastics or rubber, of cotton, without fourchettes	0.235	RCA>1
Apparel	62160041	Gloves, mittens & mitts (excl. for sports), not impregnated, coated or covered with plastics or rubber, of cotton, with fourchettes	0.235	RCA>1
Sports goods	62160017	Gloves etc. (excl. for sports), not k/c, impreg. etc. with plas/rub, w/o four., cut & sewn, of veg. fibers, cont. <50% by wt. plas./rubber	0.235	RCA>1
Apparel	62033310	Men's or boys' suit-type jackets and blazers, not knitted or crocheted, of synthetic fibers, cont. 36% or more of wool or fine animal hair	0.22	RCA>1
Apparel	62033910	Men's or boys' suit-type jackets and blazers, of artificial fibers, containing 36% or more by weight of wool or fine animal hair, not k/c	0.22	RCA>1
Apparel	62099010	Babies' blouses and shirts, except those imported as parts of sets, not knitted or crocheted, of artificial fibers	0.22	RCA>1
Apparel	61121980	Track suits, of textile materials (except cotton or mmf), containing less than 70% by weight of silk or silk waste, knitted or crocheted	0.216	RCA>1
Apparel	62031920	Men's or boys' suits, of artificial fibers, not knitted or crocheted, containing 36 percent or more of wool or fine animal hair	0.21	RCA>1
Home textile	63022150	Bed linen, not knit or crocheted, printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, n/napped	0.209	RCA>1
Home textile	63023150	Bed linen, not knit/croc, not printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, not napped	0.209	RCA>1
Textile	58012100	Uncut weft pile fabrics of cotton, other than fabrics of heading 5802 or 5806	0.202	RCA>1
Leather	42029245	Travel, sports and similar bags with outer surface of plastic sheeting	0.2	RCA>1
Leather	42023220	Articles of a kind normally carried in the pocket or handbag, with outer surface of plastic sheeting, nesi	0.2	
Sports goods	64041180	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$6.50 but n/o \$12/pair	0.2	RCA>1
Sports goods	64041190	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, valued o/\$12/pair	0.2	RCA>1
Apparel	61051000	Men's or boys' shirts, knitted or crocheted, of cotton	0.197	RCA>1
Apparel	61061000	Women's or girls' blouses and shirts, knitted or crocheted, of cotton	0.197	RCA>1
Apparel	62011330	Men's or boys' overcoats, carcoats, capes, & like coats of manmade fibers, not knit or crocheted, cont. 36 percent or more of wool, nesoi	0.197	RCA>1
Apparel	62029340	Women's or girls' anoraks, windbreakers, etc, nt knit or crocheted, of manmade fibers, cont. 36% or more of wool or fine animal hair, nesoi	0.197	RCA>1
Apparel	62034330	Men's or boys' trousers, etc, not knitted or crocheted, of synthetic fibers, containing 36 percent or more of wool or fine animal hair	0.197	RCA>1
Apparel	62052020	Men's or boys' shirts, not knitted or crocheted, of cotton, nesoi	0.197	RCA>1

Apparel	62053015	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, containing 36 percent or more of wool or fine animal hair, nesoi	0.197	RCA>1
Apparel	61112010	Babies' blouses and shirts, except those imported as parts of sets, knitted or crocheted, of cotton	0.197	
Apparel	62019120	Men's or boys' anoraks, windbreakers and similar articles nesoi, not knitted or crocheted, of wool or fine animal hair	0.197	
Textile	55163405	Woven fabrics of artificial staple fibers, < 85% of such fibers, containing 36% or more of wool or fine animal hair, printed	0.197	RCA>1
Apparel	62019325	Men's or boys' anoraks, etc, nesoi, not knitted or crocheted, of manmade fibers, containing 36 percent or more of wool or fine animal hair	0.196	RCA>1
Textile	54083305	Woven fabrics of artificial filament yarn nesoi, containing 36% or more by wt of wool or fine animal hair, of yarns of different colors	0.196	RCA>1
Apparel	61023010	Women's or girls' overcoats, carcoats, etc., knitted or crocheted, of manmade fibers, containing 23% or more of wool or fine animal hair	0.188	RCA>1
Apparel	61159360	Stockings, socks, etc. nesoi, knitted or crocheted, of synthetic fibers, containing lace or net	0.188	RCA>1
Apparel	61159914	Hosiery nesoi, of artificial fibers, containing lace or net	0.188	RCA>1
Apparel	61169954	Gloves, mittens & mitts (excl. those designed for sports etc.), knitted or crocheted, of artificial fibers, with fourchettes	0.188	RCA>1
Apparel	61169948	Gloves, mittens & mitts (excl. those designed for sports etc.), knitted/crocheted, of artificial fibers, without fourchettes	0.188	RCA>1
Apparel	61161048	Gloves, mittens & mitts(excl sports), impreg etc, cut & sewn from pre-exist non-veg fib impreg fab, w/o fourch, con < 50% wt pla/rub k/c	0.186	RCA>1
Apparel	61169394	Gloves, mittens & mitts (excl. those designed for sports etc.), k/c, of synthetic fibers, under 23% by wt. of wool etc., with fourchettes	0.186	RCA>1
Apparel	61169388	Gloves, mittens & mitts (excl. those designed for sports etc.), k/c, of synthetic fibers, under 23% by wt. of wool etc., w/o fourchettes	0.186	RCA>1
Textile	60019100	Knitted or crocheted pile fabrics (other than "long pile" or looped pile) of cotton	0.185	RCA>1
Leather	42029290	Bags, cases and similar containers nesi, with outer surface of plastic sheeting or of textile materials, excl. cotton	0.176	RCA>1
Leather	42029230	Travel, sports and similar bags with outer surface of textile materials other than of vegetable fibers	0.176	RCA>1
Leather	42022280	Handbags with or without shoulder strap or without handle, with outer surface of textile materials, nesi	0.176	
Leather	42023295	Articles of a kind normally carried in the pocket or handbag, with outer surface of textile materials, nesi	0.176	
Apparel	62031210	Men's or boys' suits, of synthetic fibers, not knitted or crocheted, containing 36 percent or more by weight of wool or fine animal hair	0.175	RCA>1
Apparel	62051020	Men's or boys' shirts, not knitted or crocheted, of wool or fine animal hair, nesoi	0.175	RCA>1
Apparel	62033190	Men's or boys' suit-type jackets and blazers, of wool or fine animal hair, not knitted or crocheted	0.175	
Apparel	61119020	Babies' blouses and shirts, except those imported as parts of sets, knitted or crocheted, of	0.173	RCA>1

		artificial fibers		
Textile	60012200	Knitted or crocheted looped pile fabrics of man-made fibers	0.172	
Apparel	61103015	Sweaters, etc., knitted or crocheted, of manmade fibers, containing 23% or more of wool or fine animal hair	0.17	RCA>1
Apparel	62041310	Women's or girls' suits, not knitted or crocheted, of synthetic fibers, containing 36 percent or more of wool or fine animal hair	0.17	RCA>1
Apparel	62041910	Women's or girls' suits, not knitted or crocheted, of artificial fibers, containing 36 percent or more of wool or fine animal hair	0.17	RCA>1
Apparel	62121090	Brassieres, not containing lace, net or embroidery, containing under 70% by wt of silk or silk waste, whether or not knitted or crocheted	0.169	
Apparel	62034240	Men's or boys' trousers and shorts, not bibs, not knitted or crocheted, of cotton, not containing 15% or more by weight of down, etc	0.166	RCA>1
Apparel	62046240	Women's or girls' trousers, breeches and shorts, not knitted or crocheted, of cotton, nesoi	0.166	RCA>1
Apparel	61043310	Women's or girls' suit-type jackets & blazers, knit or crocheted, of synthetic fibers, cont. 23% or more of wool or fine animal hair	0.165	RCA>1
Apparel	61091000	T-shirts, singlets, tank tops and similar garments, knitted or crocheted, of cotton	0.165	RCA>1
Apparel	61102020	Sweaters, pullovers and similar articles, knitted or crocheted, of cotton, nesoi	0.165	RCA>1
Textile	52122110	Other woven fabrics of cotton, containing 36% or more by weight of wool or fine hair, weighing more than 200 g/m2, unbleached	0.165	RCA>1
Textile	52122210	Other woven fabrics of cotton, containing 36% or more by weight of wool or fine hair, weighing more than 200 g/m2, bleached	0.165	RCA>1
Apparel	61021000	Women's or girls' overcoats, carcoats, capes, windbreakers and similar articles, knitted or crocheted, of wool or fine animal hair	0.164	RCA>1
Apparel	62011100	Men's or boys' overcoats, carcoats, capes, cloaks and similar coats of wool or fine animal hair, not knitted or crocheted	0.163	
Apparel	62034118	Men's or boys' trousers and breeches, other than of HTSA 6203.41.05, nesoi	0.163	
Apparel	61032200	Men's or boys' ensembles, knitted or crocheted, of cotton	0.161	RCA>1
Apparel	61034210	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of cotton	0.161	RCA>1
Apparel	61042100	Women's or girls' ensembles, knitted or crocheted, of wool or fine animal hair	0.161	RCA>1
Apparel	62032230	Men's or boys' ensembles, not knitted or crocheted, of cotton, other than judo, karate and other oriental martial arts uniforms	0.161	RCA>1
Apparel	61011000	Men's or boys' overcoats, carcoats, capes, cloaks, windbreakers and similar articles, knitted or crocheted, of wool or fine animal hair	0.16	RCA>1
Apparel	61072200	Men's or boys' nightshirts and pajamas, knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	61083200	Women's or girls' nightdresses and pajamas, knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	61101900	Sweaters, pullovers, sweatshirts, waistcoats (vests) and similar articles, knitted or crocheted, of fine animal hair	0.16	RCA>1
Apparel	62044340	Women's or girls' dresses, not knitted or crocheted, of synthetic fibers, nesoi	0.16	RCA>1
Apparel	62044440	Women's or girls' dresses, not knitted or crocheted, of artificial fibers, nesoi	0.16	RCA>1
Apparel	62072200	Men's or boys' nightshirts and pajamas, not knitted or crocheted, of man-made fibers	0.16	RCA>1

Apparel	62082200	Women's or girls' nightdresses and pajamas, not knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	62089200	Women's or girls' singlets & other undershirts, briefs, panties, bathrobes & similar articles, not knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	62113300	Men's or boys' track suits or other garments nesoi, not knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	62114300	Women's or girls' track suits or other garments nesoi, not knitted or crocheted, of man-made fibers	0.16	RCA>1
Apparel	61044320	Women's or girls' dresses, knitted or crocheted, of synthetic fibers, nesoi	0.16	
Apparel	61045320	Women's or girls' skirts and divided skirts, knitted or crocheted, of synthetic fibers, nesoi	0.16	
Apparel	61089200	Women's or girls' negligees, bathrobes, dressing gowns and similar articles, knitted or crocheted, of man-made fibers	0.16	
Apparel	61113050	Babies' garments and clothing accessories, knitted or crocheted, of synthetic fibers, nesoi	0.16	
Apparel	61151980	Panty hose (not surgical) and tights, of textile materials nesoi, knitted or crocheted	0.16	
Apparel	62045330	Women's or girls' skirts and divided skirts, not knitted or crocheted, of synthetic fibers, nesoi	0.16	
Apparel	62045930	Women's or girls' skirts and divided skirts, not knitted or crocheted, of artificial fibers, nesoi	0.16	
Apparel	61012000	Men's or boys' overcoats, carcoats, capes, cloaks, anoraks, windbreakers and similar articles, knitted or crocheted, of cotton	0.159	RCA>1
Apparel	61022000	Women's or girls' overcoats, carcoats, capes, cloaks, anoraks, windbreakers and similar articles, knitted or crocheted, of cotton	0.159	RCA>1
Apparel	61034110	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of wool or fine animal hair	0.158	RCA>1
Apparel	61031210	Men's or boys' suits, knitted or crocheted, of synthetic fibers, containing 23 percent or more of wool or fine animal hair	0.156	RCA>1
Apparel	61082290	Women's or girls' briefs and panties (other than disposable), of man-made fibers, knitted or crocheted	0.156	
Textile	52103180	Dyed plain weave cotton fabrics, < 85% cotton by wt, mixed mainly/solely with man-made fibers, not over 200 g/m2, of number 69 or higher	0.155	RCA>1
Textile	52104980	Woven fabrics of cotton, nesoi, < 85% cotton by wt, mixed mainly with m-m fibers, n/o 200 g/m2, number 69 or higher, of yarn of diff colors	0.155	RCA>1
Apparel	62063030	Women's or girls' blouses and shirts, not knitted or crocheted, of cotton, nesoi	0.154	RCA>1
Apparel	61034310	Men's or boys' trousers, breeches and shorts, knitted or crocheted, of syn. fibers, cont. 23 percent or more of wool or fine animal hair	0.152	RCA>1
Apparel	61042200	Women's or girls' ensembles, knitted or crocheted, of cotton	0.152	RCA>1
Apparel	61033910	Men's or boys' suit-type jackets and blazers, knitted or crocheted, of artificial fibers	0.149	RCA>1
Apparel	61034320	Men's and boys' bib and brace overalls of synthetic fibers, knitted or crocheted	0.149	RCA>1
Apparel	61041320	Women's or girls' suits, knitted or crocheted, of synthetic fibers, nesoi	0.149	RCA>1
Apparel	61043200	Women's or girls' suit-type jackets and blazers, knitted or crocheted, of cotton	0.149	RCA>1
Apparel	61044420	Women's or girls' dresses, knitted or crocheted, of artificial fibers, nesoi	0.149	
Apparel	61046100	Women's or girls' trousers, bib and brace overalls, breeches and shorts, knitted or crocheted, of wool or fine animal hair	0.149	RCA>1
Apparel	61046220	Women's or girls' trousers, breeches and shorts, knitted or crocheted, of cotton	0.149	

Apparel	61046310	Women's or girls' bib and brace overalls, knitted or crocheted, of synthetic fibers	0.149	RCA>1
Apparel	61046315	Women's or girls' trousers, etc., knitted or crocheted, of synthetic fibers, containing 23 percent or more of wool or fine animal hair	0.149	RCA>1
Apparel	61059010	Men's or boys' shirts, knitted or crocheted, of wool or fine animal hair	0.149	RCA>1
Apparel	61071200	Men's or boys' underpants and briefs, knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	61079200	Men's or boys' bathrobes, dressing gowns and similar articles, knitted or crocheted, of man-made fibers	0.149	
Apparel	61081100	Women's or girls' slips and petticoats, knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	61112020	Babies' T-shirts, singlets and similar garments, except those imported as parts of sets, of cotton	0.149	
Apparel	61112030	Babies' sweaters, pullovers, sweatshirts and similar articles, except those imported as parts of sets, knitted or crocheted, of cotton	0.149	
Apparel	61112050	Babies' trousers, breeches and shorts, except those imported as parts of sets, knitted or crocheted, of cotton	0.149	
Apparel	61119050	Babies' garments and clothing accessories, knitted or crocheted, of artificial fibers, nesoi	0.149	RCA>1
Apparel	61119010	Babies' trousers, breeches and shorts, except those imported as parts of sets, knitted or crocheted, of artificial fibers	0.149	RCA>1
Apparel	61121100	Track suits, knitted or crocheted, of cotton	0.149	RCA>1
Apparel	61143030	Garments nesoi, knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	62019320	Men's or boys' padded, sleeveless jackets, not knitted or crocheted, of man-made fibers, not containing 15% or more by weight of down, etc	0.149	RCA>1
Apparel	62029320	Women's or girls' padded, sleeveless jackets, not knitted or crocheted, of man-made fibers, not cont. 15% or more by weight of down, etc	0.149	RCA>1
Apparel	62031930	Men's or boys' suits, of artificial fibers, nesoi, not knitted or crocheted	0.149	RCA>1
Apparel	62034320	Men's or boys' bib and brace overalls, not knitted or crocheted, of synthetic fibers, not down, not water resistant	0.149	RCA>1
Apparel	62041200	Women's or girls' suits, not knitted or crocheted, of cotton	0.149	RCA>1
Apparel	62044330	Women's or girls' dresses, of synthetic fibers, not knitted or crocheted, containing 36 percent or more of wool or fine animal hair, nesoi	0.149	RCA>1
Apparel	62046315	Women's or girls' bib & brace overalls of synthetic fibers, not knitted or crocheted, not cont. 15% or more by weight of down, etc, nesoi	0.149	RCA>1
Apparel	62079220	Men's or boys' bathrobes, dressing gowns and similar articles, not knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	62081100	Women's or girls' slips and petticoats, not knitted or crocheted, of man-made fibers	0.149	RCA>1
Apparel	62092030	Babies' trousers, breeches and shorts, except those imported as parts of sets, not knitted or crocheted, of cotton	0.149	RCA>1
Apparel	62092020	Babies' blouses and shirts, except those imported as parts of sets, not knitted or crocheted, of cotton	0.149	RCA>1
Apparel	62099030	Babies' garments and clothing accessories, not knitted or crocheted, nesoi, of artificial fibers	0.149	RCA>1
Apparel	62099020	Babies' trousers, breeches and shorts, except those imported as parts of sets, not knitted or crocheted, of artificial fibers	0.149	RCA>1

Home textile	63022210	Bed linen, not knitted or crocheted, printed, of manmade fibers, containing embroidery, lace, braid, etc or applique work	0.149	RCA>1
Home textile	63023210	Bed linen, not knitted or crocheted, not printed, of manmade fiber, containing embroidery, lace, braid, etc or applique work	0.149	RCA>1
Home textile	63041915	Bedspreads, not knitted or crocheted, of manmade fibers, containing any embroidery, lace, etc.	0.149	RCA>1
Textile	54074200	Woven fabrics, containing 85 percent or more by weight of filaments of nylon or other polyamides, dyed	0.149	
Textile	54075220	Woven fabrics, over 85 percent textured polyester filaments, dyed, nesoi	0.149	
Textile	54075400	Woven fabrics, containing 85 percent or more by weight of textured polyester filaments, printed	0.149	
Textile	54076199	Woven fab, of 85%+ non-text. polyester filaments, nesoi (not wholly polyester single yarns, 75-80 dtx, 24 fil/yarn & twist 900+ turns/m)	0.149	
Textile	54076910	Woven fab, containing 85%+ by wt of polyester filaments nesoi, unbleached or bleached	0.149	
Textile	54076990	Woven fab, containing 85%+ by wt polyester filaments nesoi, printed	0.149	
Textile	54076920	Woven fab, containing 85%+ by wt of polyester filaments nesoi, dyed	0.149	
Textile	54077400	Woven fabrics, containing 85 percent or more by weight of synthetic filaments, printed	0.149	RCA>1
Textile	54078100	Woven fabrics, containing less than 85% by weight of synthetic filaments, mixed mainly or solely with cotton, unbleached or bleached	0.149	
Textile	54078200	Woven fabrics, containing less than 85 percent by weight of synthetic filaments, mixed mainly or solely with cotton, dyed	0.149	
Textile	54078400	Woven fabrics, containing less than 85 percent by weight of synthetic filaments, mixed mainly or solely with cotton, printed	0.149	RCA>1
Textile	54079120	Woven fabrics of synthetic filament yarn nesoi, unbleached or bleached, nesoi	0.149	
Textile	54079220	Woven fabrics of synthetic filament yarn nesoi, dyed, nesoi	0.149	
Textile	54079420	Woven fabrics of synthetic filament yarn nesoi, printed, nesoi	0.149	RCA>1
Textile	54083120	Woven fabrics of artificial filament yarn nesoi, unbleached or bleached, nesoi	0.149	
Textile	55131100	Woven fabric of poly staple fiber, < 85% wt poly staple fibers, mixed mainly/solely w/cotton, wt n/o 170 g/m2, plain weave, unbleached/bleached	0.149	RCA>1
Textile	55131200	Woven 3-or 4-thread twill fabric of poly staple fib, < 85% poly staple fiber, mixed mainly/solely w/cotton, wt n/o 170 g/m2, unbleached/bleached	0.149	
Textile	55131300	Woven fabrics of polyester staple fibers, < 85% polyester staple fibers, mixed mainly/solely w/cotton, n/o 170 g/m2, unbleached/bleached, nesoi	0.149	RCA>1
Textile	55131900	Woven fabrics of synthetic staple fibers nesoi, < 85% by weight of such fibers, mixed with cotton, n/o 170g/m2, unbleached or bleached	0.149	
Textile	55132100	Woven fabrics of polyester staple fibers, < 85% polyester staple fibers, mixed mainly/solely w/cotton, not over 170 g/m2, plain weave, dyed	0.149	
Textile	55132200	Woven 3- or 4-thread twill fabric of poly staple fib, < 85% polyester staple fibers, mixed mainly/solely w/cotton, n/o 170 g/m2, dyed	0.149	RCA>1
Textile	55132300	Woven fabrics of polyester staple fibers, < 85% by wt polyester staple fibers, mixed mainly/solely w/cotton, not over 170 g/m2, dyed, nesoi	0.149	
Textile	55132900	Woven fabrics of synthetic staple fibers nesoi, < 85% by wt of such fibers, mixed mainly/solely	0.149	RCA>1

		w/cotton, weighing n/o 170g/m2, dyed, nesoi		
Textile	55133100	Woven fabrics of poly staple fib,< 85% polyester staple fibers,mixed mainly/solely w/cotton,n/o 170 g/m2,plain weave,of yarns of dif. colors	0.149	RCA>1
Textile	55133300	Woven fabrics of poly staple fib, < 85% by wt polyester staple fibers,mixed mainly/solely w/cotton, wt n/o 170 g/m2, of yarns of dif. colors	0.149	RCA>1
Textile	55133900	Woven fabrics of synthetic staple fibers nesoi,< 85% by wt of such fibers, mixed mainly/solely w/cotton, n/o 170g/m2, of dif. colored yarns	0.149	RCA>1
Textile	55134100	Printed plain weave fabrics of poly staple fib,< 85% by weight polyester staple fibers, mixed mainly/solely with cotton, n/o 170g/m2	0.149	RCA>1
Textile	55134300	Printed woven fabrics of polyester staple fibers, < 85% by wt polyester staple fibers, mixed mainly/solely with cotton, weighing n/o 170g/m2	0.149	RCA>1
Textile	55141100	Plain weave fabrics of poly staple fiber,< 85% wt polyester staple fibers, mixed mainly/solely w/cotton, wt ov 170 g/m2, unbleached/bleached	0.149	
Textile	55141200	Wov 3-or 4-thread twill fabric of poly staple fib,< 85% polyester staple fiber,mixed mainly/solely w/cotton,ov 170 g/m2,unbleached/bleached	0.149	
Textile	55141300	Woven fabric of poly staple fiber, < 85% wt polyester staple fibers, mixed mainly/solely w/cotton, over 170 g/m2, unbleached/bleached, nesoi	0.149	RCA>1
Textile	55142100	Plain weave fabrics of polyester staple fiber, < 85% by wt polyester staple fibers, mixed mainly/solely with cotton, over 170 g/m2, dyed	0.149	RCA>1
Textile	55142200	Wov 3-or 4-thread twill fabric of poly staple fib,incl cross twill,< 85% poly staple fibers,mixed mainly/solely w/cotton,ov 170 g/m2, dyed	0.149	RCA>1
Textile	55142300	Woven fabrics of polyester staple fib, < 85% by wt polyester staple fibers, mixed mainly/solely w/cotton, over 170 g/m2, dyed, nesoi	0.149	
Textile	55143200	Woven 3-or 4-thread twill fabric of poly staple fib,< 85% poly staple fibers,mixed mainly/solely w/cotton,ov 170 g/m2,of yarn of dif. colors	0.149	RCA>1
Textile	55144200	Printed 3-or 4-thread twill fab of poly staple fib,incl cross twill,< 85% by wt poly staple fibers, mixed mainly/solely w/cotton,ov 170g/m	0.149	RCA>1
Textile	55161100	Woven fabrics of artificial staple fibers, containing 85% or more by weight of such fibers, unbleached or bleached	0.149	RCA>1
Textile	55161200	Woven fabrics of artificial staple fibers, containing 85% or more by weight of such fibers, dyed	0.149	RCA>1
Textile	55162100	Woven fabrics of artificial staple fibers, < 85% by weight of such fibers, mixed mainly/solely with man-made filaments, unbleached/bleached	0.149	RCA>1
Textile	55162400	Woven fabrics of artificial staple fibers, < 85% by weight of such fibers, mixed mainly or solely with man-made filaments, printed	0.149	RCA>1
Textile	55164100	Woven fabrics of artificial staple fibers, < 85% by weight of such fibers, mixed mainly or solely with cotton, unbleached or bleached	0.149	RCA>1
Textile	58090000	Woven fabrics of metal thread & woven fabrics of metallized yarn of heading 5605, used in apparel, as furnishing fabrics or the like, nesoi	0.149	RCA>1
Textile	52084180	Plain weave fabrics of cotton, 85% or more cotton by weight, weighing not over 100 g/m2, of number 69 or higher, of yarn of different colors	0.147	RCA>1
Textile	52084250	Plain weave fabrics of cotton, 85% or more cotton by weight, over 100 but n/o 200 g/m2,	0.147	RCA>1

		number 69 or higher, of yarns of different colors		
Textile	52084980	Woven fabrics of cotton, nesoi, 85% or more cotton by weight, wt not over 200 g/m2, of number 69 or higher, of yarns of different colors	0.147	RCA>1
Textile	52102980	Bleached woven fabrics of cotton, nesoi, < 85% cotton by wt, mixed mainly/solely with man-made fibers, n/o 200 g/m2, of number 69 or higher	0.147	RCA>1
Apparel	61152090	Women's full-length or knee-length hosiery, measuring per single yarn less than 67 decitex containing under 70% by wt of silk, knitted/croc	0.146	
Apparel	61159390	Stockings, socks, etc. nesoi, knitted or crocheted, of synthetic fibers (not containing lace or net)	0.146	RCA>1
Apparel	61159918	Hosiery nesoi, knitted or crocheted, of artificial fibers, other than those containing lace or net	0.146	RCA>1
Apparel	61178095	Made up clothing accessories (excl shawl, scarve, and like, tie, cravat, headband, ponytail holder and like), cont < 70% wt of silk, k/c	0.146	RCA>1
Apparel	61178085	Headbands, ponytail holders & similar articles, of textile materials other than containing 70% or more by weight of silk, knitted/crocheted	0.146	RCA>1
Apparel	62171095	Made up clothing accessories (excl of heading 6212 or headbands, ponytail holders & like), containing < 70% wgt of silk, not knit/crochet	0.146	RCA>1
Apparel	62171085	Headbands, ponytail holders and similar articles, of textile materials containing < 70% by weight of silk, not knit/crochet	0.146	RCA>1
Apparel	62179090	Parts of garments or of clothing accessories(excl those of heading 6212), containing under 70% by weight of silk or silk waste, n/knit/croc	0.146	RCA>1
Textile	58101000	Embroidery in the piece, in strips or in motifs, without visible ground	0.141	RCA>1
Textile	60032010	Warp knit open-worked fabrics of cotton, width not exceeding 30 cm, other than those of heading 6001 or 6002	0.141	RCA>1
Leather	42032930	Men's gloves, mittens and mitts of leather or composition leather, nesi, seamed	0.14	
Leather	42032908	Gloves, wholly of horsehide or cowhide (except calfskin) leather, not specially designed for use in sports, nesi	0.14	
Leather	42032918	Gloves not wholly of horsehide or cowhide leather not specially designed for use in sports, nesi	0.14	
Leather	42032915	Gloves not wholly of horsehide or cowhide leather not specially designed for use in sports, with fourchettes or sidewalls	0.14	
Textile	40151950	Nonseamless gloves of vulcanized rubber other than hard rubber, other than surgical or medical gloves	0.14	RCA>1
Textile	58022000	Terry toweling and similar woven terry fabrics (other than narrow fabrics of heading 5806) of textile materials other than cotton	0.14	RCA>1
Apparel	61034120	Men's or boys' bib and brace overalls, knitted or crocheted, of wool or fine animal hair	0.136	RCA>1
Apparel	61034920	Men's or boys' bib and brace overalls, knitted or crocheted, of artificial fibers	0.136	RCA>1
Apparel	61046910	Women's or girls' bib and brace overalls, knitted or crocheted, of artificial fibers	0.136	RCA>1
Apparel	61052010	Men's or boys' shirts, knitted or crocheted, of manmade fibers, containing 23 percent or more of wool or fine animal hair	0.136	RCA>1
Apparel	61079920	Men's or boys' bathrobes, dressing gowns and similar articles, knitted or crocheted, of wool or fine animal hair	0.136	RCA>1
Apparel	62046325	Women's or girls' trousers, breeches & shorts, not knit or crocheted, of syn. fibers, cont. 36% or	0.136	RCA>1

		more of wool or fine animal hair, nesoi		
Textile	54071000	Woven fabrics obtained from high tenacity yarn of nylon or other polyamides or of polyesters	0.136	
Textile	55121900	Woven fabrics containing 85% or more by weight of polyester staple fibers, other than unbleached or bleached	0.136	RCA>1
Textile	55134200	Printed 3-or 4-thread twill fabric of poly staple fib,incl cross twill,< 85% wt poly staple fibers,mixed mainly/solely w/cotton,n/o 170g/m2	0.136	RCA>1
Apparel	61033200	Men's or boys' suit-type jackets and blazers, knitted or crocheted, of cotton	0.135	RCA>1
Apparel	61159290	Stockings, socks, etc. nesoi (not surgical and not containing lace or net), knitted or crocheted, of cotton	0.135	RCA>1
Textile	52082980	Bleached woven fabrics of cotton, nesoi, containing 85% or more cotton by weight, weighing not more than 200 g/m2, of number 69 or higher	0.135	
Textile	52101180	Unbleached plain weave fabrics of cotton, < 85% cotton, mixed mainly/solely with man-made fibers, wt < 200 g/m2, of number 69 or higher	0.135	RCA>1
Apparel	61161055	Gloves, mittens & mitts(excl ports), impreg etc, not cut & sewn from pre-existing fabric, w/o fourch, con 50% or more wt of tex fibers, k/c	0.132	RCA>1
Apparel	61161075	Gloves, mittens & mitts(excl sports), impreg etc, not cut & sewn from pre-existing fabric, with fourch, con 50% or more wt of text fib, k/c	0.132	RCA>1
Apparel	62031910	Men's or boys' suits, not knitted or crocheted, of cotton	0.132	RCA>1
Apparel	62132010	Handkerchiefs, not knitted or crocheted, of cotton, hemmed, not containing lace or embroidery	0.132	
Apparel	62160024	Gloves, mittens and mitts(excl sports), w/o four, impreg etc, not cut & sewn from pre-exist fab, con 50% or more wt cotton/mmff, not k/c	0.132	RCA>1
Textile	55095300	Yarn (other than sewing thread) of polyester staple fibers mixed mainly or solely with cotton, not put up for retail sale	0.132	
Textile	58043000	Hand-made lace, in the piece, in strips or in motifs (other than fabrics of heading 6002)	0.132	RCA>1
Apparel	62160029	Gloves, mittens and mitts(excl sports), impreg, etc., with fourchettes, cont 50% or more by wt of coton, mmf or combo thereof, not knit/croc	0.13	RCA>1
Leather	42032940	Gloves, mittens and mitts of leather or composition leather, nesi, not lined, for persons other than men	0.126	
Leather	42032950	Gloves, mittens and mitts of leather or composition leather, nesi, lined, for persons other than men	0.126	
Leather	42032920	Gloves, mittens and mitts of leather or composition leather, nesi, not seamed	0.126	
Leather	42032905	Gloves, wholly of horsehide or cowhide leather not specially designed for use in sports, with fourchettes or sidewalls	0.126	
Apparel	61161013	Gloves, mittens & mitts, w/o four., k/c, coated w. plastics/rubber nesoi, cut & sewn, of veg. fibers, cont. > 50% by wt. of plastics/rubber	0.125	RCA>1
Sports goods	62160013	Gloves etc. (excl. for sports etc.), not k/c, impreg. etc. with plas/rub, w/o four., cut & sewn, of veg. fibers, over 50% by wt. plas/rub	0.125	RCA>1
Textile	52083180	Dyed plain weave fabrics of cotton, containing 85% or more cotton by weight, weighing not more than 100 g/m2, of number 69 or higher, nesoi	0.125	RCA>1
Textile	52083250	Dyed plain weave fabrics of cotton, nesoi, 85% or more cotton by weight, over 100 g/m2 but not	0.125	RCA>1

		more than 200 g/m2, of number 69 or higher		
Textile	52083980	Dyed woven fabrics of cotton, nesoi, containing 85% or more cotton by weight, weighing not more than 200 g/m2, of number 69 or higher	0.125	
Textile	52085180	Printed plain weave fabrics of cotton, containg 85% or more cotton by weight, weighing not over 100 g/m2, of number 69 or higher	0.125	RCA>1
Textile	52085250	Printed plain weave fabrics of cotton, 85% or more cotton by weight, weighing over 100g/m2 but not more than 200g/m2, of number 69 or higher	0.125	RCA>1
Apparel	62034325	Men's or boys' trousers, breeches and shorts, not knitted or crocheted, of synthetic fibers, certified hand-loomed and folklore products	0.122	RCA>1
Apparel	62034915	Men's or boys' trousers, breeches and shorts, not knitted or crocheted, of artificial fibers, certified hand-loomed and folklore products	0.122	RCA>1
Apparel	62053010	Men's or boys' shirts, not knitted or crocheted, of manmade fibers, certified hand-loomed and folklore products	0.122	RCA>1
Textile	52103160	Dyed plain weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely with man-made fibers, not over 200 g/m2, of numbers 43-68	0.122	RCA>1
Textile	52103960	Dyed woven fabrics of cotton, nesoi, < 85% cotton by weight, mixed mainly/solely w/man-made fibers, not over 200 g/m2, of numbers 43-68	0.122	
Textile	52104160	Plain weave cotton fabrics, < 85% cotton by wt, mixed mainly/solely w/mm fibers, n/o 200 g/m2, of numbers 43-68, of yarn of different colors	0.122	
Textile	52105160	Printed plain weave cotton fabrics, < 85% cotton by wt, mixed mainly/solely with man-made fibers, n/o 200 g/m2, of numbers 43-68	0.122	
Apparel	62113100	Men's or boys' track suits or other garments nesoi, not knitted or crocheted, of wool or fine animal hair	0.12	RCA>1
Home textile	63041110	Bedspreads of cotton, knitted or crocheted, excluding those of heading 9404	0.12	RCA>1
Home textile	63041905	Bedspreads, not knitted or crocheted, of cotton, containing any embroidery, lace, etc.	0.12	RCA>1
Textile	52051520	Single cotton yarn, 85% or more cotton, of uncombed fibers, over 80 nm, bleached or mercerized, not put up for retail sale, nesoi	0.12	RCA>1
Textile	52052600	Single cotton yarn,85% or > cotton by wt, of combed fiber, meas.<125 but not<106.38 decitex, >80nm but not >94nm, not put up for retail sale	0.12	RCA>1
Textile	52052700	Single cotton yarn,85% or > cotton by wt,of combed fiber,meas.<106.38 but not<83.33 decitex, >94nm but not >120nm,not put up for retail sale	0.12	RCA>1
Textile	52052800	Single cotton yarn, 85% or > cotton by wt, of combed fibers, meas.<83.33 decitex, >120 nm, not put up for retail sale	0.12	RCA>1
Textile	52053500	Multiple or cabled cotton yarn, 85% or more cotton by weight, of uncombed fibers, over 80 nm per single yarn, not put up for retail sale	0.12	RCA>1
Textile	52054600	Multiple or cabled cotton yarn, 85% or > cotton by wt, of combed fibers, >80nm but not >94nm/single yarn, not put up for retail sale	0.12	RCA>1
Textile	52054700	Multiple or cabled cotton yarn, 85% or > cotton by wt, of combed fibers, >94nm but not >120nm/single yarn, not put up for retail sale	0.12	RCA>1
Textile	52054800	Multiple or cabled cotton yarn, 85% or > cotton by wt, of combed fibers, >120nm per single yarn, not put up for retail sale	0.12	RCA>1

Textile	54079410	Woven fabrics of synthetic filament yarn nesoi, mixed mainly/solely with wool/fine animal hair, contain < 36% wool/fine animal hair, printed	0.12	RCA>1
Textile	54082329	Woven fabric, 85%+ artificial filament/strip, of yarns of different colors, not 69-142 warp & 31-71 filling yarns, not of cupra/rayon, nesoi	0.12	RCA>1
Textile	54082321	Woven fabric, 85%+ artificial filament/strip, of yarns of different colors, not 69-142 warp & 31-71 filling yarns, of cupra/rayon, nesoi	0.12	RCA>1
Textile	54083390	Woven fabrics of artificial filament yarn nesoi, of yarns of different colors, nesoi	0.12	RCA>1
Textile	54083310	Woven fabrics of artificial filament yarn nesoi, mixed mainly or solely with wool or fine animal hair, of yarns of different colors, nesoi	0.12	RCA>1
Textile	55096200	Yarn (other than sewing thread) of acrylic or modacrylic staple fibers mixed mainly or solely with cotton, not put up for retail sale	0.12	RCA>1
Textile	55121100	Woven fabrics containing 85% or more by weight of polyester staple fibers, unbleached or bleached	0.12	RCA>1
Textile	55143300	Woven fabrics of poly staple fiber,< 85% polyester staple fibers,mixed mainly/solely w/cotton,ov 170 g/m2,of yarns of different colors,nesoi	0.12	RCA>1
Textile	55151200	Woven fabrics of polyester staple fibers, mixed mainly or solely with man-made filaments, nesoi	0.12	RCA>1
Textile	55151900	Woven fabrics of polyester staple fibers, nesoi	0.12	RCA>1
Textile	55163410	Woven fabrics of artificial staple fibers, < 85% of such fibers, mixed mainly or solely with wool or fine animal hair, printed, nesoi	0.12	RCA>1
Textile	55169100	Woven fabrics of artificial staple fibers nesoi, unbleached or bleached, nesoi	0.12	RCA>1
Textile	55169400	Woven fabrics of artificial staple fibers nesoi, printed, nesoi	0.12	RCA>1
Home textile	63022130	Bed linen, not knitted or crocheted, printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, napped	0.119	RCA>1
Home textile	63023130	Bed linen, not knit/croc, not printed, of cotton, cont any embroidery, lace, braid, edging, trimming, piping or applique work, napped	0.119	RCA>1
Apparel	62044210	Women's or girls' dresses, not knitted or crocheted, of cotton, certified hand-loomed and folklore products	0.118	RCA>1
Apparel	62092010	Babies' dresses, not knitted or crocheted, of cotton	0.118	RCA>1
Apparel	61044200	Women's or girls' dresses, knitted or crocheted, of cotton	0.115	RCA>1
Apparel	61112040	Babies' dresses, knitted or crocheted, of cotton	0.115	
Textile	52082160	Woven cotton fabric, 85% or more cotton by weight, plain weave, not over 100 g/m2, bleached, of number 69 or higher	0.115	
Textile	52082280	Woven cotton fabric, 85% or more cotton by weight, plain weave, over 100 but n/o 200 g/m2, bleached, of number 69 or higher	0.115	RCA>1
Home textile	63022220	Bed linen, not knitted or crocheted, printed, of manmade fibers, nesoi	0.114	RCA>1
Home textile	63023220	Bed linen, not knitted or crocheted, not printed, of manmade fibers, nesoi	0.114	RCA>1
Textile	52084160	Plain weave fabrics of cotton, 85% or more cotton by weight, weighing not over 100 g/m2, of numbers 43-68, of yarns of different colors	0.114	RCA>1
Textile	52084240	Plain weave fabrics of cotton, 85% or more cotton by weight, over 100 but n/o 200 g/m2, of numbers 43-68, of yarns of different colors	0.114	RCA>1

Textile	52085160	Printed plain weave fabrics of cotton, containing 85% or more cotton by weight, weighing not over 100 g/m2, of numbers 43-68	0.114	RCA>1
Textile	52085240	Printed plain weave fabrics of cotton, 85% or more cotton by weight, weighing over 100 g/m2 but not more than 200 g/m2, of numbers 43-68	0.114	RCA>1
Textile	52102160	Bleached plain weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely with man-made fibers, not over 200 g/m2, of numbers 43-68	0.114	
Textile	52102960	Bleached woven fabrics of cotton, nesoi, < 85% cotton by weight, mixed mainly/solely with man-made fibers, n/o 200 g/m2, of numbers 43-68	0.114	RCA>1
Textile	54083315	Woven fabrics cont. 85% or more mm filaments nesoi, thread count > 69-142/cm warp and > 31-71/cm filling, of different colored yarns	0.114	RCA>1
Apparel	61159100	Hosiery nesoi, knitted or crocheted, of wool or fine animal hair	0.113	RCA>1
Apparel	61171020	Shawls, scarves, mufflers, mantillas, veils and the like, knitted or crocheted, of man-made fibers	0.113	
Apparel	62044310	Women's or girls' dresses, not knitted or crocheted, of synthetic fibers, certified hand-loomed and folklore products	0.113	RCA>1
Apparel	62044420	Women's or girls' dresses, not knitted or crocheted, of artificial fibers, nesoi, certified hand-loomed and folklore products	0.113	RCA>1
Apparel	62046320	Women's or girls' trousers, breeches & shorts, not knit or crocheted, of synthetic fibers, nesoi, certified hand-loomed & folklore products	0.113	RCA>1
Apparel	62149000	Shawls, scarves, mufflers, mantillas, veils and the like, not knitted or crocheted, of textile materials nesoi	0.113	RCA>1
Home textile	63025300	Table linen of man-made fibers, not knitted or crocheted	0.113	RCA>1
Home textile	63031200	Curtains (including drapes), interior blinds and valances of synthetic fibers, knitted or crocheted	0.113	RCA>1
Home textile	63039220	Curtains (including drapes), interior blinds and valances, nesoi, of synthetic fibers, not knitted or crocheted	0.113	RCA>1
Home textile	63039210	Curtains/drapes, inter. blinds, etc. of syn fib, made up from fab of subh 5407.60.11/5407.60.21/5407.60.91, not knitted or crocheted	0.113	RCA>1
Home textile	63039900	Curtains (including drapes),interior blinds, valances of textile materials other than of cotton or of synthetic fibers,not knitted/crocheted	0.113	RCA>1
Home textile	63049915	Wall hangings, not knitted or crocheted, of wool or fine animal hair, nesoi	0.113	RCA>1
Home textile	63049935	Furnishing articles (excl. those of heading 9404 and other than bedspreads and jute wall hangings) of veg. fibers (excl. cotton), not k/c	0.113	RCA>1
Home textile	63049925	Wall hangings of jute, excluding those of heading 9404	0.113	RCA>1
Apparel	62089130	Women's or girls' undershirts and underpants, not knitted or crocheted, of cotton	0.112	RCA>1
Gems & Jewellery	71171990	Imitation jewelry (o/than toy jewelry & rope, curb, cable, chain, etc.), of base metal (wheth. or n/plated w/prec.metal), nesoi	0.11	
Gems & Jewellery	71179090	Imitation jewelry not of base metal or plastics, nesoi, over 20 cents/dozen pcs or pts	0.11	
Apparel	61142000	Garments nesoi, knitted or crocheted, of cotton	0.108	RCA>1
Textile	55091200	Yarn (other than sewing thread) cont. 85% or more by weight of nylon/polyamide staple fibers,	0.106	

		multiple or cabled, not put up for retail sale		
Textile	55092200	Yarn (other than sewing thread) cont. 85% or more by weight of polyester staple fibers, multiple or cabled, not put up for retail sale	0.106	RCA>1
Textile	55099940	Yarn (not sewing thread) of synthetic staple fibers nesoi, mixed mainly/solely w/artificial staple fibers, multiple, not for retail sale	0.106	
Textile	55101200	Yarn (other than sewing thread) cont. 85% or more by weight of artificial staple fibers, multiple or cabled, not put up for retail sale	0.106	RCA>1
Apparel	62071990	Men's or boys' underpants and briefs, of textile mats(except cotton), cont under 70% by wt of silk or silk waste, not knitted/crocheted	0.105	RCA>1
Apparel	62079240	Men's or boys' singlets and other undershirts, not knitted or crocheted, of man-made fibers, nesoi	0.105	RCA>1
Gems & Jewellery	71031040	Precious stones (o/than diamonds) & semiprecious stones, simply sawn or roughly shaped	0.105	RCA>1
Gems & Jewellery	71039950	Precious or semiprecious stones, nesoi, worked, whether or not graded, but n/strung (ex. ungraded temporarily strung), mtd. or set	0.105	
Gems & Jewellery	71162040	Semiprecious stone (except rock crystal) articles (other than jewelry and figurines)	0.105	RCA>1
Leather	64041120	Sports & athletic footwear w/outer soles of rubber/plastics & uppers of textile, w/ext. surf. of uppers over 50% leather	0.105	RCA>1
Textile	52081980	Unbleached woven fabrics of cotton, nesoi, 85% or more of cotton by weight, weighing not more than 200 g/m2, of number 69 or higher	0.105	RCA>1
Apparel	62160058	Gloves, mittens & mitts (excl. for sports), not impregnated, coated or covered with plastics or rubber, of mmf, with fourchettes	0.104	RCA>1
Apparel	62160054	Gloves, mittens & mitts (excl. for sports), not impregnated, coated or covered with plastics or rubber, of man-made fibers, w/o fourchettes	0.104	RCA>1
Textile	52104960	Woven fabrics of cotton,nesoi,< 85% cotton by wt,mixed mainly/solely w/man-made fibers, n/o 200 g/m2, numbers 43-68, of yarn of diff colors	0.104	RCA>1
Apparel	61034220	Men's or boys' bib and brace overalls, knitted or crocheted, of cotton	0.103	RCA>1
Apparel	61046210	Women's or girls' bib and brace overalls, knitted or crocheted, of cotton	0.103	
Apparel	62034220	Men's or boys' bib and brace overalls, not knitted or crocheted, of cotton, not containing 10 to 15% or more by weight of down, etc	0.103	RCA>1
Apparel	62160021	Gloves, mittens and mitts(excl sports), w/o four, impreg etc, cut & sewn from pre-exist impreg fab, of non-veg fib, con < 50% wt plas/rub	0.103	RCA>1
Home textile	63031100	Curtains (including drapes), interior blinds and valances of cotton, knitted or crocheted	0.103	RCA>1
Home textile	63039100	Curtains (including drapes), interior blinds and valances of cotton, not knitted or crocheted	0.103	RCA>1
Textile	52083300	Dyed 3- or 4-thread twill fabrics of cotton, including cross twill, 85% or more cotton by weight, weighing not more than 200 g/m2	0.103	RCA>1
Textile	52085920	Printed satin or twill weave fabrics of cotton, containing 85% or more cotton by weight, weighing not more than 200 g/m2, nesoi	0.103	
Textile	52102920	Bleached satin or twill weave fabrics of cotton, < 85% cotton by weight, mixed mainly/solely	0.103	RCA>1

		with man-made fibers, not more than 200 g/m2		
Textile	52082140	Woven cotton fabric, 85% or more cotton by weight, plain weave, not over 100 g/m2, bleached, of numbers 43-68	0.102	
Textile	52101160	Unbleached plain weave fabrics of cotton, < 85% cotton, mixed mainly/solely with man-made fibers, wt < 200 g/m2, of numbers 43-68	0.102	RCA>1
Textile	52101980	Unbleached woven fabrics of cotton, nesoi, < 85% cotton by wt, mixed mainly/solely w/man-made fibers, n/o 200 g/m2, of number 69 or higher	0.102	
Apparel	61013015	Men's or boy's overcoat,etc.,knitted or crocheted, of manmade fibers, containing 23% or more wool or fine animal hair, nesoi	0.1	RCA>1
Apparel	61031100	Men's or boys' suits, knitted or crocheted, of wool or fine animal hair	0.1	RCA>1
Apparel	61033310	Men's or boys' suit-type jackets and blazers, knitted or crocheted, of synthetic fibers, containing 23% or more of wool or fine animal hair	0.1	RCA>1
Apparel	61159260	Stockings, socks, etc. (not surgical), knitted or crocheted, of cotton, containing lace or net	0.1	RCA>1
Leather	42022160	Handbags, with or without shoulder strap or without handle, with outer surface of leather, composition or patent leather, nesi, n/o \$20 ea.	0.1	
Textile	52103140	Dyed plain weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely with man-made fibers, not over 200 g/m2, of number 42 or lower	0.1	RCA>1
Textile	52103200	Dyed 3 or 4-thread twill fabrics of cotton, incl. cross twill, < 85% cotton by wt, mixed mainly/solely with man-made fibers, wt n/o 200 g/m2	0.1	
Textile	52103920	Dyed satin or twill weave fabrics of cotton, < 85% cotton by wt, mixed mainly/solely with man-made fibers, weighing not more than 200 g/m2	0.1	
Textile	52104940	Woven fabrics of cotton,nesoi,< 85% cotton by wt,mixed mainly/solely w/mm fibers, n/o 200g/m2, of number 42 or lower, of yarn of diff colors	0.1	RCA>1
Textile	52104920	Satin or twill weave fabrics of cotton,< 85% cotton by wt,mixed mainly/solely w/mm fibers, wt n/o 200g/m2, of yarn of different colors,nesoi	0.1	RCA>1
Textile	52105140	Printed plain weave cotton fabrics, < 85% cotton by wt, mixed mainly/solely with man-made fibers, n/o 200 g/m2, of number 42 or lower	0.1	
Textile	52105920	Printed satin or twill weave cotton fabrics, nesoi, < 85% cotton by wt, mixed mainly/solely with man-made fibers, weighing n/o 200 g/m2	0.1	
Textile	54033100	Single yarn of viscose rayon (not high ten. or sewing thread), untwisted or with a twist not over 120 turns/m, not put up for retail sale	0.1	
Textile	55093200	Yarn (not sewing thread) cont. 85% or more by wt. of acrylic or modacrylic staple fibers,multiple or cabled,not put up for retail sale	0.1	
Textile	60051000	Warp knit fabrics (including those made on galloon knitting machines) of wool or fine animal hair, other than those of headings 6001 to 6004	0.1	RCA>1
Textile	60052100	Unbleached or bleached warp knit fabrics (including those made on galloon knitting machines) of cotton, other than of headings 6001 to 6004	0.1	RCA>1
Textile	60053100	Unbleached or bleached warp knit fabrics (including made on galloon knitting machines) of synthetic fibers, other than headings 6001 to 6004	0.1	
Textile	60053200	Dyed warp knit fabrics (including those made on galloon knitting machines) of synthetic fibers, other than those of headings 6001 to 6004	0.1	

Textile	60061000	Knitted or crocheted fabrics of wool or fine animal hair, nesoi	0.1	RCA>1
Textile	60062190	Unbleached or bleached knitted or crocheted fabrics of cotton, nesoi	0.1	RCA>1
Textile	60062110	Unbleached or bleached circular knit fabric, wholly of cotton yarns over 100 metric number per single yarn, nesoi	0.1	RCA>1
Textile	60062290	Dyed knitted or crocheted fabrics of cotton, nesoi	0.1	
Textile	60062490	Printed knitted or crocheted fabrics of cotton, nesoi	0.1	
Textile	60063100	Unbleached or bleached knitted or crocheted fabrics of synthetic fibers, nesoi	0.1	
Textile	60063200	Dyed knitted or crocheted fabrics of synthetic fibers, nesoi	0.1	
Textile	60064100	Unbleached or bleached knitted or crocheted fabrics of artificial fibers, nesoi	0.1	RCA>1
Textile	60064200	Dyed knitted or crocheted fabrics of artificial fibers, nesoi	0.1	RCA>1

Source: Based on data from the US DOC and U.N. Comtrade

Appendix 9

Afghanistan: GSP Eligible list and US MFN Tariff

HTS8	BRIEF_DESCRIPTION	U.S. MFN	GSP Indicator	USImp Afg_YE AR_20 05	Afghan Total exports
08021200	Almonds, fresh or dried, shelled	24 cents/kg	A+	0	2647.5 13
04031090	Yogurt, not in dry form, whether or not flavored or containing add fruit or cocoa	17%	A+	0	0.533
08023200	Walnuts, fresh or dried, shelled	26.5 cents/kg	A+	0	48.66
08135000	Mixtures of nuts or dried fruits of Chapter 8	14%	A+	0	1724.0 27
08071980	Other melons nesoi, fresh, if entered during the period from June 1 through November 30, inclusive	28%	A+	0	1639.7 07
08071140	Watermelons, fresh, if entered during the period April 1 through November 30, inclusive	17%	A+	0	18.178
69111080	Porcelain or china (o/than bone china) household tableware & kitchenware, not in specified sets, nesoi	20.80%	A+	0	3.125
08042080	Figs, fresh or dried, other than whole (including fig paste)	8.8 cents/kg	A+	0	3.873
71131120	Silver articles of jewelry and parts thereof, nesoi, valued not over \$18 per dozen pieces or parts	13.50%	A	0	2.295
61171040	Shawls, scarves, etc., knitted or crocheted, containing 70% or more by weight of silk or silk waste	1.50%	A	0.44	0.701
08021100	Almonds, fresh or dried, in shell	7.7 cents/kg	A+	0	944.50 1
63049940	Certified hand-loomed and folklore pillow covers of wool or fine animal hair, not knitted or crocheted	3.80%	A	2.2	20.923
08023100	Walnuts, fresh or dried, in shell	7 cents/kg	A	0	5.712
08132010	Prunes and plums, soaked in brine and dried	2 cents/kg	A+	0	17.6
34039900	Lubricating preparations (incl. lubricant-based preparations), nesoi	6.50%	A+	0	0.053
39012050	Polyethylene having a specific gravity of 0.94 or more, in primary forms, nesoi	6.50%	A	0	27.086
39042200	Polyvinyl chloride, mixed with other substances, plasticized, in primary forms	6.50%	A	0	14.936
02089090	Other meat and edible meat offal not elsewhere specified or included, fresh, chilled or frozen	6.40%	A+	0	14.447
39199050	Self-adhesive plates, sheets, other flat shapes, of plastics, not having a light-reflecting surface produced by glass grains, nesoi	5.80%	A	0	29.363
38099100	Finishing agents, dye carriers and like products, nesoi, used in the textile or like industries	6%	A	0	1.48
57031020	Hand-hooked carpets and other textile floor coverings, tufted, whether or not made up, of wool or fine animal hair	6%	A	24.268	51.561
71131930	Precious metal (o/than silver) clasps and parts thereof	5.80%	A	2.25	10.412
71171990	Imitation jewelry (o/than toy jewelry & rope, curb,	11%	A	0	0.287

	cable, chain, etc.), of base metal (wheth. or n/plated w/prec.metal), nesoi				
39219050	Nonadhesive plates, sheets, film, foil and strip, nonflexible, nesoi, of noncellular plastics	4.80%	A*	0	7.355
20081990	Other nuts and seeds nesi, excluding mixtures, otherwise prepared or preserved, nesi	17.90%	A	0	22.294
71031040	Precious stones (o/than diamonds) & semiprecious stones, simply sawn or roughly shaped	10.50%	A	41.5	104.469
71039950	Precious or semiprecious stones, nesoi, worked, whether or not graded, but n/strung (ex. ungraded temporarily strung), mtd. or set	10.50%	A	0	10.802
32041150	Disperse dyes and preparations based thereon, nesoi	6.5% 2/	A+	0	14.075
08029098	Nuts nesi, fresh or dried, shelled	5 cents/kg	A+	0	11.672
23099095	Other preps nes of a kind used in animal feeding, not cont milk or egg prods	1.40%	A+	0	1.538
39241040	Tableware and kitchenware articles, nesoi, of plastics	3.40%	A	0	0.05
32041250	Synthetic acid and mordant dyes and preparations based thereon, nesoi	6.5% 2/	A*	0	14.513
71162040	Semiprecious stone (except rock crystal) articles (other than jewelry and figurines)	10.50%	A	15.033	16.775
38249091	Chemical products, preparations, and residual products of the chemical or allied products industries, nesoi	5%	A+	0	3.518
29242995	Other nonaromatic cyclic amides and their derivatives; salts thereof; nesoi	6.50%	A	0	57.839
34021350	Nonaromatic nonionic organic surface-active agents (other than soap), other than of fatty substances of animal or vegetable origin	3.70%	A	0	3.281
38081050	Insecticides, nesoi, for retail sale or as preparations or articles	5%	A+	0	112.628
40111050	New pneumatic tires excluding radials, of rubber, of a kind used on motor cars (including station wagons and racing cars)	3.40%	A*	2.659	16.564
40112050	New pneumatic tires excluding radials, of rubber, of a kind used on buses or trucks	3.40%	A*	0	192.745
63079098	National flags and other made-up articles of textile materials, nesoi	7%	A	0	0.169
44181000	Wooden windows, French-windows and their frames	3.20%	A	0	10.23
07031040	Onions, other than onion sets or pearl onions not over 16 mm in diameter, and shallots, fresh or chilled	3.1 cents/kg	A	0	2223.07
46019990	Products nesoi of plaiting materials (not vegetable), bound together in parallel strands or woven, in sheet form, nesoi	3.30%	A+	0	3.744
39239000	Articles nesoi, for the conveyance or packing of goods, of plastics	3%	A*	0	971.53
39232900	Sacks and bags (including cones) for the conveyance or packing of goods, of plastics other than polymers of ethylene	3%	A	0	0.15
07020060	Tomatoes, fresh or chilled, entered from Nov. 15 thru the last day of Feb. of the following year	2.8 cents/kg	A	0	11.068
82055980	Base metal, nesoi, handtools (o/than household),	3.70%	A	46.568	52.003

	and base metal parts thereof				
40170000	Hard rubber (for example, ebonite) in all forms, including waste and scrap; articles of hard rubber	2.70%	A	0	0.184
44219097	Articles of wood, not elsewhere specified or included	3.30%	A	0	4
40169310	Gaskets, washers and other seals, of noncellular vulcanized rubber other than hard rubber	2.50%	A	0	0.579
39262090	Articles of apparel & clothing accessories, of plastic, nesoi	5%	A	0	11.044
40169960	Articles of noncellular vulcanized synthetic rubber other than hard rubber	2.50%	A	0	14.167
43021300	Tanned/dressed whole skins of Astrakhan, Broadtail, Caracul, Persian, Indian, Mongolian, Chinese & Tibetan lamb, not assembled	2.20%	A	0	82.497
35069900	Prepared glues and other prepared adhesives, excluding adhesives based on rubber or plastics, nesoi	2.10%	A*	0	0.194
08025040	Pistachios, fresh or dried, shelled	1.9 cents/kg	A	0	57.648
72024100	Ferrochromium containing by weight more than 4 percent of carbon	1.90%	A	0	64.053
41039020	Raw hides and skins of animals nesoi (other than those excluded by note 1(b) or 1(c) to chapter 41), pretanned but not further prepared	3.30%	A+	0	25.852
22042180	Grape wine, other than "Marsala", not sparkling or effervescent, over 14% vol. alcohol, in containers holding 2 liters or less	16.9 cents/liter	A	0	1.282
44189045	Builders' joinery and carpentry of wood, including cellular wood panels, nesoi	3.20%	A	0	0.005
08134080	Tamarinds, dried	6.80%	A	0	158.37 4
07133340	Dried kidney beans, including white pea beans, shelled, if entered Sept. 1 through April 30, or withdrawn for consumption at any time	1.5 cents/kg	A	0	43.818
07139080	Dried leguminous vegetables nesi, shelled, if entered Sept. 1 through the following April 30, or withdrawn for consumption at any time	1.5 cents/kg	A	0	1153.1 74
25151220	Travertine, merely cut into blocks or slabs of a rectangular (including square) shape	3%	A	0	4.013
07132020	Dried chickpeas (garbanzos), shelled	1.4 cents/kg	A	0	456.68 5
76169950	Aluminum, articles, nesoi	2.50%	A	0	7.18
41031030	Raw hides and skins of goat or kid (not excluded by note 1(c) to chapter 41), pretanned (other than vegetable) but not prepared	3.70%	A	0	149.28 6
07135020	Dried broad beans and horse beans, shelled	1.2 cents/kg	A	0	43.784
08109045	Fruit, not elsewhere specified or included, fresh	2.20%	A	0	734.06 7
25309020	Natural micaceous iron oxides	2.90%	A	0	0.885
07133940	Dried beans nesi, shelled, if entered for consumption September 1 through April 30, or withdrawn for consumption at any time	0.8 cents/kg	A	0	167.93
08059001	Citrus fruit, not elsewhere specified or included, fresh or dried, including kumquats, citrons and	0.80%	A*	0	8.363

	bergamots				
41021030	Raw skins of sheep or lamb (not excluded by note 1(c) to chapter 41), with wool on, pretanned other than vegetable but not further prepared	2%	A+	0	255.49 1
41022930	Raw sheep or lamb skins (not excluded by note 1(c) to chapter 41), without wool on, pretanned other than vegetable but not further prepared	2%	A+	0	1.582
07019050	Fresh potatoes, other than yellow (Solano) potatoes or seed potatoes	0.5 cents/kg	A+	0	455.68 2
07032000	Garlic, fresh or chilled	0.43 cents/kg	A*	0	29.994
07131040	Dried peas, nesi, shelled	0.4 cents/kg	A	0	30.752
08061060	Grapes, fresh, if entered during the period July 1 through the following February 14, inclusive	\$1.80/m3	A+	0	4177.4 09
08082040	Pears and quinces, fresh, if entered during the period from July 1 through the following March 31, inclusive	0.3 cents/kg	A+	0	0.137
07133140	Dried beans, shelled, if entered September 1 through the following April 30, or withdrawn for consumption at any time	0.3 cents/kg	A	0	8.584
08062090	Grapes, dried, other than raisins	3.5 cents/kg	A+	0	5009.1
08091000	Apricots, fresh	0.2 cents/kg	A+	0	605.03
07134020	Dried lentils, shelled	0.15 cents/kg	A*	0	1546.3 69
08131000	Apricots, dried	1.8 cents/kg	A*	0	30.528
12092100	Alfalfa (lucerne) seed of a kind used for sowing	1.5 cents/kg	A	0	3.58
12099180	Vegetable seeds, nesi, of a kind used for sowing	1.5 cents/kg	A	0	6.352
12099940	Seeds, fruits and spores, of a kind used for sowing, nesi	0.83 cents/kg	A	0	7.575
23061000	Oilcake and other solid residues, resulting from the extraction of vegetable fats or oils, of cotton seeds	0.56 cents/kg	A+	0	2.06
22021000	Waters, including mineral waters and aerated waters, containing added sugar or other sweetening matter or flavored	0.2 cents/liter	A	0	36.471
10030040	Barley, other than for malting purposes	0.15 cents/kg	A+	0	0.167
12079100	Poppy seeds, whether or not broken	0.06 cents/kg	A	0	462.08 1

Source: Base on data from U.S. MOC

Notes: A" signifies products eligible for all GSP beneficiary countries, "A*" are products for which all countries are technically eligible but with certain country-specific exclusions, and "A+" are products for which only LDC beneficiary countries are eligible

Appendix 10

ADS 225: Pakistan: Assessment of the Impact on U.S. Jobs and International Worker Rights

This section provides a review of possible U.S. Agency for International Development (USAID) technical assistance to Pakistan's ROZs under ADS 225, which establishes the policies and procedures to implement "Impact of Jobs in the United States".

Methodology

The methodology applied here is based on the guidelines provided by ADS 225. In conducting the analytical review required to determine the potential impact on U.S. jobs, the following two questions must be answered:

- Is the activity directed at promoting either foreign direct or local investment in the recipient country?
- Could the activity reasonably be foreseen to stimulate the relocation of any U.S. business that would result in a reduction in the number of employees of the business in the U.S.?

Notwithstanding the results of the above, USAID may also not obligate or expend funds for activities that contribute to the violation of internationally recognized workers' rights as defined in 19 U.S.C. 2467(4).¹

To respond to the above, the issues considered here include:

- Whether the ROZ territories are attractive investment destinations for U.S. firms, in general;
- Whether the types of product sectors targeted under the ROZs are likely candidates for relocation from the United States;
- Whether employment-related activities that are likely to be associated with the ROZ's will result in a violation of the above workers' rights.

If there is no reasonable likelihood that relocation or violation of workers' rights could take place as a result of the activity, then USAID can fund the activity. If, in analyzing these factors, the conclusion is reached that the activity may result in the relocation of a U.S. business and loss of U.S. jobs and/or the violation of workers' rights, then USAID cannot fund the activity unless it can modify the design or implementation activity to eliminate any likelihood that a relocation or violation of workers' rights would take place.

Are Targeted ROZ Territories in Pakistan considered to be Attractive Investment Destinations for U.S. Firms?

In order to respond to this question, we undertook a two-part analysis. We first evaluated Pakistan vis-à-vis competing investment destinations based on those factors that typically drive

¹ The "internationally recognized workers' rights" are: a) The right of association; b) The right to organize and bargain collectively; c) A prohibition on the use of any form of forced or compulsory labor; d) A minimum age for the employment of children; and e) Acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health. The last two workers' rights may be applied commensurate with the development of the country, and the fact that they may be affected does not preclude an activity in the informal sector, micro and small-scale enterprise, and smallholder agriculture.

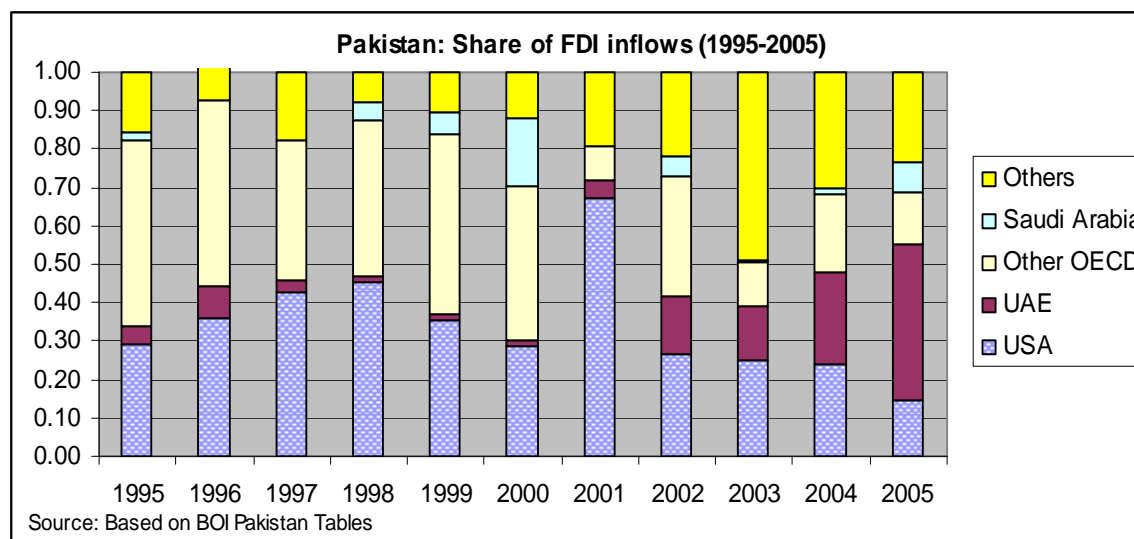
location decisions. We then evaluated recent FDI trends in Pakistan and the region, including recent outward FDI by U.S. firms. The assessment focused as much as possible on ROZ territories. The following briefly summarizes current investment conditions in the proposed ROZ territories (NWFP, FATA, Baluchistan and AJK):

Security: A primary concern for any foreign investor is the lack of security as described by many local and national officials. The security guarantees required to conduct business by U.S. nationals would be a significant deterrent to engage in foreign investment activities. In fact, currently there is no major investment by the U.S. firms in these areas in the sectors identified from the industry survey.

Doing Business: The World Bank 'Doing Business' indicators for Pakistan (2005) show rigid labor markets – particularly on the hiring side, weak creditor and borrower rights, low coverage of credit registries and long and costly contract enforcement. These factors are particularly prominent in frontier provinces including Peshawar.

Location Disadvantage: There are several location specific disadvantages that were highlighted in the industry assessment that would significantly deter U.S. investment in the proposed ROZ locations. These include, among others, the lack of reliable supplies of water and power, as well as the distance to Karachi port. In addition the industry responses to the field survey suggested the cost of engaging in exports from frontier regions may be 15% to 20% higher than the corresponding industry in Karachi.

In general, U.S. FDI flows to Pakistan have not been significant outside the gas sector. Since 2001, U.S. FDI flows as a share of total FDI to Pakistan has been on decline since 2001. The UAE has superseded U.S. as the largest FDI source in Pakistan.



From the perspective of U.S. investors, Pakistan does not figure prominently in U.S. outward FDI statistics. The data on U.S. FDI outflows suggest that Pakistan receives less than 2/100th of one percent. As indicated above, much of this investment is in the gas sector, not in the types of manufacturing that would be present in the ROZs. Egypt and India both receive substantially more FDI from the U.S. than Pakistan.

US FDI Outflows as a share of Total (1999-2005)

Country	1999	2000	2001	2002	2003	2004	2005
Pakistan	0.01	0.01	0.02	0.01	0.01	0.02	0.02
Egypt	0.18	0.15	0.18	0.17	0.20	0.20	0.23
Asia and Pacific	15.68	15.74	15.57	16.71	15.30	17.69	18.21
China	0.77	0.85	0.83	0.65	0.64	0.73	0.82
India	0.20	0.18	0.17	0.26	0.28	0.37	0.41
Indonesia	0.69	0.68	0.72	Nil	Nil	Nil	0.48

Source: US Business and Financial Bureau and BOI Tables for Pakistan

Given the above, while U.S. firms can be expected to invest in import substitution and services in major urban areas (though even this has been minimal based on recent FDI data), they are even more unlikely to invest in export activities in high risk ROZ locations. The only activities in these areas attracting U.S. investment or other FDI is in the gas sector.

Are the Types of Product Sectors Likely to benefit under the ROZs likely Candidates for Relocation?

The trade and industry analysis suggested a broad breadth of textile and apparel related products for which Pakistan has a comparative advantage and are likely to provide the most economic benefit to the ROZ's labor force. The post MFA quota scenario and the increased competition from China have led to a loss of a large number (several hundred) apparel firms. Attempts to restructure and enhance the competitiveness of the Pakistan's textile and apparel industry, including upgrading machinery in the heavily mechanized textile manufacturing sector and using the latest spinning and dyeing technology imported from Japan and Switzerland has limited success in maintaining U.S. market share.

The trade assessment highlighted that ready made garments (men's or boys and women's'), towels, gloves and mittens, which are high tariff items, appear to offer attractive incentive margins to relocate to the proposed ROZs. However, it is unclear that tariff margins provide a sufficient incentive to attract U.S. relocating to the frontier province under a U.S banner primarily due to security consideration, and other location specific disadvantages. It is expected, instead that any relocation will be of existing operations from Karachi, Lahore and other locations within Pakistan, rather than FDI.

Will ROZ Exports of have an Impact on U.S. Production?

If one considers that high tariff items are most typically imposed on larger, and therefore more sensitive, U.S. industries, any ROZ based activities are unlikely to put downward pressure on U.S. prices, and therefore on profit margins and production. It is more probable that ROZ based exports would replace the exports from competitor countries such as Sri Lanka and Bangladesh (leading cotton based apparel exporters) and even factories in Karachi and Lahore.

Will the ROZs Result in a Violation of Workers' Rights?

Pakistan has ratified the ILO Conventions 87 and 98. Pakistan's Industrial Relations Ordinance of 1969 (IRO) provides for the right of industrial workers to form trade unions. Union organizers are subject to a variety of restrictions that hinder their activities and effectiveness. However, the

International Labor Organization (ILO) has stated repeatedly that Pakistan's current law and practice violate the Government's commitments under ILO Convention 87.

The IRO is also not applicable to the Export Processing Zones (EPZ) and Special Industrial Zones (SIZ). In fact, the Essential Services Maintenance Act prohibits workers in EPZs from forming or joining unions, bargaining collectively and striking. Although “EPZ workers Association and Industrial Relations Act 2004” allows the workers inside the zone to elect their representatives, a fully functional trade union with collective bargaining powers is still restricted. The majority of the workforce engaged in multinationals and other corporations is therefore purely at the employer's discretion. In contrast, Sri Lanka for example provides a useful example of how right of association has not impacted industry competitiveness in the largest zone export activity, the apparel sector.

The government has adopted laws and promulgated policies to protect children from exploitation in the workplace; however, enforcement of child labor laws such as minimum age for the employment of children is lax.

Health and safety standards are poor. There is a serious lack of adherence to mine safety and health protocols. For example, mines often only have one opening for entry, egress, and ventilation. Workers can not remove themselves from dangerous working conditions without risking loss of employment.

Conclusions

The major conclusions are as follows:

- There is no reasonable likelihood that a relocation of U.S. jobs could take place within the context of the ROZs.
- Pakistan is becoming a less attractive investment location for U.S. companies and ROZ designated territories are even more unattractive. This is primarily due the poor security situation, but lack of property rights, high cost of basic utilities such as electricity and water, and the geographic distance from the U.S. that make Pakistan an unattractive location for investment. Location within the ROZ territories is an especially unattractive investment location for U.S. companies. The USAID experience in supporting the QIZs in West Bank and Gaza, Jordan, and Egypt also suggests that prospective investment is primarily from the Asia and the Near East.
- The scale of U.S. industry is such any ROZ based activities could reasonably be expected to affect U.S. product prices. ROZ based exports are most likely to replace the exports from competitor countries such as Sri Lanka, China, Bangladesh (leading cotton based apparel exporters) and even factories in Karachi and Lahore.
- The establishment of ROZs should guarantee internationally recognized workers rights and should be guaranteed by the Pakistan Labor Code that must be applicable to ROZs. The ROZ cannot support any violation of those rights, particularly the right of association and the right to organize and bargain collectively. Consistent with ILO Convention 87, the Essential Services Maintenance Act must be amended to accommodate forming or joining unions and enable bargaining collectively within the ROZ designated locations and sites. Adopting laws and promulgated policies to enact the above provisions is fundamental to eligible for ROZ duty free privileges.

Appendix 11

ADS 225: Afghanistan: Assessment of the Impact on U.S. Jobs and International Worker Rights

This section provides a review of possible U.S. Agency for International Development (USAID) technical assistance to the Afghanistan under ADS 225, which establishes the policies and procedures to implement “Impact of Jobs in the United States”.

The methodology applied here follows the Pakistan section in determining:

- Is the activity directed at promoting either foreign direct or local investment in the recipient country?
- Could the activity reasonably be foreseen to stimulate the relocation of any U.S. business and/or result in a reduction in the number of employees of the business in the U.S.?

Are ROZs in Afghanistan an Attractive Investment Destination for U.S. Firms?

In order to respond to this question, we undertook a two-part analysis. We first evaluated Afghanistan vis-à-vis competing investment destinations based on those factors that typically drive location decisions. We then evaluated recent FDI trends in Afghanistan and the region, including recent outward FDI by U.S. firms. US firms might be expected to invest in import substitution and services in urban areas, but not export activities in high risk ROZ locations. The primary impediments to U.S. investments are highlighted in Location and Industry sections in this study. Following summarizes the critical issues that may deter U.S. investor, but, not

Security: A primary concern for any potential U.S. investors is the security environment. Investment Climate Survey points out that spending 15 percent of sales for security is typical in Afghanistan, significantly more than in neighboring countries. They spend an additional 3 percent of sales for protection payments to commanders, government officials, or organized criminals. The cost of security is particularly high for foreign firms. The security guarantees required to conduct business for U.S. nationals would be a significant deterrent to engage in foreign investment activities and diminishes the attractiveness of Afghanistan as a potential investment location. In fact, there is currently only a handful of investments by U.S. firms, principally targeted towards the domestic economy, including military and donor projects.

Electricity: The Afghan power supply is of poor quality, characterized by low voltage, intermittent supply, and blackouts. Only about 76 percent of businesses are connected to the power grid, and they only received power on average about six and a half hours a day. Not surprisingly, 74 percent of businesses reported owning at least one generator; in one city, Jalalabad, the figure is 97 percent. Of the country's installed power generation capacity of 420MW, only 270MW is operational; moreover, transmission and distribution capacity are inadequate.

Access to land: In many countries, access to land is a problem only for firms wanting to significantly expand. In Afghanistan, the majority of existing firms find accessing land, especially serviced land, a serious problem-which indicates just how severe a constraint it is. Nearly 56 percent of the surveyed firms who had tried to acquire new land in the past three years were unsuccessful and more than 10 percent reported having ongoing land disputes. Furthermore, foreigners are prohibited from purchasing land. Rent for secure buildings in Kabul can cost as much as prime property in Tokyo, London, or other major cities (ICA survey).

Skills: High illiteracy, poor education, war, and political upheaval have resulted in a critical shortage of skilled labor in Afghanistan. During the conflict many of Afghanistan's best qualified

workers, those with the best opportunities abroad, fled. Consequently, qualified management, skilled technicians, and educated professionals are scarcely available to today's enterprises. The problem is exacerbated by the barriers to educating girls and employing women in most jobs outside the home.

Corruption: Corruption is endemic in Afghanistan and adds to the uncertainty facing investors, especially foreign investors or returning Afghans who do not understand the system. Nearly 58 percent of surveyed firms cited corruption as a major or severe problem, just behind access to land and electricity. Firms reported paying an average 8 percent of sales as bribes, more than four times the average reported in neighboring Pakistan.

Given the above, Afghanistan is not an attractive location for U.S. investment. This is reinforced by existing US FDI outflows to Afghanistan. Afghanistan's share of U.S. FDI outflows are negligible, less than 1/100th of one percent of US outward FDI. The only country in the South Asia region that is currently an important destination for U.S. FDI is India and much of that investment is in sectors that are not considered as prospects under the proposed ROZ program, such as information technology.

US FDI in Destination Country as a Share of Total US Outward FDI (1999-2005)

Country	1999	2000	2001	2002	2003	2004	2005
Afghanistan	0.01	0.01	0.02	0.01	0.01	0.02	0.02
Asia and Pacific	15.68	15.74	15.57	16.71	15.30	17.69	18.21
China	0.77	0.85	0.83	0.65	0.64	0.73	0.82
India	0.20	0.18	0.17	0.26	0.28	0.37	0.41
Indonesia	0.69	0.68	0.72	Nil	Nil	Nil	0.48

Source: US Business and Financial Bureau and AISA Tables for Afghanistan

Will ROZ Exports of have an Impact on U.S. Production of Products?

If one considers that high tariff items are most typically imposed on larger, and therefore more sensitive, U.S. industries, any ROZ based activities are highly unlikely to put downward pressure on U.S. prices, and therefore on profit margins and production. It is more probable that ROZ based exports would replace the exports from competitor countries such as Sri Lanka and Bangladesh (leading cotton based apparel exporters) and even factories in Karachi and Lahore.

Will the ROZs Result in a Violation of Workers' Rights?

The Afghan economy is overwhelmingly informal, unrecorded and untaxed by the state and hence the labor market is predominantly. Afghanistan has ratified 15 International Labor Conventions of the 121 Conventions. However, it is yet to ratify two key conventions, a) the right of association and b) the right to organize and bargain collectively. It has also not ratified the Convention on 'minimum age for the employment of children' but ratified the 'acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health' and 'prohibition on the use of any form of forced or compulsory labor'. However, the last two workers' rights may be applied commensurate with the development of the country, and the fact that they may be affected does not preclude an activity in the informal sector in a country, micro and small-scale enterprise, and smallholder agriculture.

In order to be eligible for duty free preference the GOA must take steps to ensure new laws adopted to ensure ROZ designated locations and sites do not contravene basic ILO

Conventions of forming or joining unions and the convention of bargaining collectively within the ROZ designated locations and sites. Since all activities within ROZ may be formalized, the GOA should promulgate new laws on the two above conventions as absolute necessity. It is also necessary the ratified conventions are given due credence by strengthening the legislation and enforcement since its current form is weak.

Notwithstanding the results of the above, USAID may also not obligate or expend funds for activities that contribute to the violation of internationally recognized workers' rights as defined in 19 U.S.C. 2467(4).

Conclusions

The major conclusions are as follows:

- There is no reasonable likelihood that a relocation of U.S. jobs could take place within the context of ROZs.
- Afghanistan is becoming a less attractive investment location for U.S. companies primarily due the prevailing security situation, but lack of land titles, lack of basic utilities such as electricity and water, and the geographic distance from the U.S. that make Afghanistan an unattractive location for US investment.
- Scale of U.S. industry and potential scale of any existing of new investment in ROZ locations is such any ROZ based activities could not reasonably be expected to affect U.S. product prices. ROZ based exports are most likely to replace the exports from competitor countries such as Sri Lanka, China, Bangladesh (leading cotton based apparel exporters) and even factories in Karachi and Lahore.
- The establishment of ROZ should recognize internationally recognized workers rights and should be guaranteed by the Afghanistan Labor Code that must be applicable to ROZs. The ROZ cannot support any violation of those rights, particularly the right of association and the right to organize and bargain collectively. Adopting laws and promulgated policies to enact the provisions is fundamental to eligible for ROZ duty free privileges.

Appendix 12

People Interviews by the ROZ Study Team Afghanistan

	<i>Name</i>	<i>Position</i>	<i>Organization</i>	<i>Sector</i>	<i>Industry/Expertice</i>	<i>Location</i>
Private Sector						
	Aziz Azimi	President	Technologist Inc	private	Industrial parks	Kabul
	Malik Mortaza	Vice President	Technologist Inc	private	Industrial parks	Kabul
	Habib Gulzar	Chairman	Gulzar International	private	Food and beverage	Kabul
	Hamid Gulzar	CEO	Gulzar International	private	Food and beverage	Kabul
	Sima Tabib	President	Afghan National Furniture	private	Furniture	Kabul
	Shah Mahmaud	President	Chief Bakery	private	Food products	Kabul
	Azarakhsh Hafizi	Chairman	Afghan Int'l Chamber of Commerce	private	Industry association	Kabul
	Hamid Farooqi	CEO	Afghan Int'l Chamber of Commerce	private	Industry association	Kabul
	Atiqullah M. Nusrat	Mamber Director	Afghan Int'l Chamber of Commerce	private	Industry association	Kabul
	Arif Zarif	President	Arif Zarif Company LTD.	private	Skin exporter	Kabul
	Muhd. Mujeeb Seddiq	President	Namad Rugs	private	Rug products	Kabul
	Shayesta Khan Jawad	Vice President	Ashk. Co. Ltd.	private	Dry fruit products exp	Kabul
	Teher Barakzai	President	Artest	private	Furniture and Marble	Kabul
	Eng. Seyed Noor Padshah Rohani	President	Ariana Pharmaceutical	private	Pharmaceuticals	Kabul
	Noorullah	President	Noorullah handicrafts	private	Handicrafts	Kabul
	Eric Henderson	CEO	Safi Apparel Corporation	private	Apparel	Kabul
	Ellis Robinson	President	Safi Apparel Corporation	private	Apparel	Kabul
	Haji Shreen Agha Sakhi	President	AIA/Sadaf	private	Cleaning Materials	Kabul
		President	Suratzada Group of Industries	private	Flour Mill	Kabul

	Mustafa Kazem	Chief Financial officer	AFC	private	Finance	Kabul
	Sumeer Bhasin	President	GSA-Indian Airlines	private	Airlines	Kabul
	Khalid Amaid	President	Afghan Int'l Chamber of Commerce	private	Industrial Association	Kabul
		Owner	Leather Shop	private	Leather	Kabul
	M Ihsan Saafi	Managing Director	Milli Factory	private	Industrial Association	Kabul
	Javid Halimi	President	Arsari Halim Carpet Factory	private	Carpets	Kabul
	Wahid Abdullah	President	Herat Carpet Centre	private	Carpets	Kabul
	Attiquallah Samandar	Manager	Spinghar	private	Vegetable Ghee Industry	Kabul
	Sara Takesh	President	Tarsian and Blinkley	private	Garment Factory	Kabul
	Eng Noor Agha	Chief	Hiwad Khesraw	private	Pharmaceuticals	Kabul
	Eng Ahmad Wali Haroon	Chief Executive	Pameer	private	Pipe	Kabul
	Abdul Rahim Farzan	Chief Executive	Faizan masood Filler	private	Oil Filters	Kabul
	Muhd. Asef Froghi	Chief	Froghi Biscuits	private	Biscuits	Kabul
	Haji Zarif Gul	Chief	Dilbahar Palstic's	private	Plastic Shoes	Kabul
	Muhd. Ehsan Safi	Chief	Milli	private	PVC Pipe	Kabul
	Hassina Sherjan	President	Bagrami Textile Factory	private	Household Linens	Kabul
	Capt. Jahed Azimi	President/CEO	Pamir Air	private	Airlines	Kabul
	Golum Murtaza	Member	Kabul Dry Fruits Consortia	private	Industry association	Kabul
	Haji Hassan	Director	Kabul Dry Fruits Consortia	private	Industry association	Kabul
	Ahamad Shah Ahmadi	General Manager	Shirkat Habib Hassam	private	Importer of Halal Meats	Kabul
	Virginia Sheffield	Managing Partner	IBS Afghanistan	private	Business Services	Kabul
	Tahir BarikZai	Owner	Khyber Pars Ltd	private	Gem Stones	Kabul
	Sameh Panak	CEO	ARC Construction	private	Construction	Kabul
	Gokhan Erkal	Director	ARC Construction	private	Construction	Kabul
	Sayeed M. Taher Roshanzadah	Vice President	Aghan Int'l Chamber of Commerce	private	Industry association	Mazar

	Sayed Moben Sayedzada	Regional Manager	Aghan Int'l Chamber of Commerce	private	Industry association	Mazar
	Bertrand Ricard	Agriculture Manager	NAPCOD	private	Cotton & Oil Development	Mazar
	Haji Matin	President		private	Dry fruit products	Mazar
	Haji Zaman	President		private	Import & Export Co.	Mazar
	Haji Arsalia	Owner		private	Dried fruit	Jalalabad
	Haji Badam	Owner		private	Dried fruit	Jalalabad
	Haji Noor	Owner		private	Dried fruit	Jalalabad
	Janullah	Owner		private	Dried fruit	Jalalabad
	Raza Khan	Owner		private	Dried fruit	Jalalabad
	Amir Jan	Owner		private	Edible oil	Jalalabad
	Shir Agha	Owner		private	Cotton	Jalalabad
	Haji Sharif	President		private	Importers Associations	Jalalabad
	Haji Anaem	Owner	Arian marble factory	private	Marble processing	Jalalabad
	Haji Kaminullah	Owner	Arian marble factory	private	Marble processing	Jalalabad
	Mohd. Ibrahim Mohib	Chairman	Afghan Business Council	private	Industry association	Dubai
	Haji Obaidullah Sader Khail	Vice Chairman	Afghan Business council	private	Industry association	Dubai
	Nemat Rezapour	Chief Executive Officer	Land Bridge International	private	Import/Export	Dubai
	Ghudam Dawood Naseeb	President	Naseeb Group of Companies	private	Import/Export	Dubai
	Sherkhan Farnood	Chairman	Kabul Bank	private	Banking	Dubai
	Mohammed Nour	Managing Director	Green Leaf General Trading Co.	private	Import/Export	Dubai
	Mohd Tahir Zahir	President	Zahir Ramin Co.	private	Import/Export	Dubai
	Abdul Rahim Safi	Managing Director	SAFITEX – General Trading	private	Import/Export	Dubai
	Habibur Rehman	Managing Director	Yokohama Used Cars Exhb. LLC	private	Automobiles	Dubai
	Haji Besmillah	Partner	Hikmat Mojib Gen.Trading Co.	private	Import/Export	Dubai

	Haji Obaidullah	Partner	Hikmat Mojib Gen.Trading Co.	private	Import/Export	Dubai
	Mohd. Saled	Managing Director	Mohammed Saled Abdul Gani Trading LLC	private	Import/Export	Dubai
	Abdul Wahid	Managing Director	Momin Oil Industry	private	Edible oil	Dubai
	M. Taher Yosufzadah	Managing Director	Ajyad Jewellery by Prima Gold	private	Jewelry	Dubai
	Mohammed Safi	Vice President	Safi Apparel Corporation	private	Apparel	Dubai
<i>Public Sector/NGO and Other</i>						
	Dr. Amin Farhang	Minister	M/Commerce and Industries	government	Policy	Kabul
	Ziauddin Zia	Deputy Minister	M/Commerce and Industries			
	Shah Hachemi	Senior Advisor	M/Commerce and Industries	government	Policy	Kabul
	Abdul Raheem	Legal Advisor (Transit Trade)	M/Commerce and Industries	government	Policy	Kabul
	Mohd Azim Wardak	President--Foreign Trade	M/Commerce	government	Policy	Kabul
	Jan Tomczyk	Project Manager-- Trade Facilitation Project	M/Commerce and Industries	government	Policy	Kabul
	Dr. M.J. Shams	Minister	M/Planning	government	Policy	Kabul
	Mr. Rahim	Minister	M/Agriculture	government	Policy	Kabul
	Wahidullah	Deputy Minister	M/Finance	government	Policy	Kabul
	Muhd. Ishaque	Fiscal Policy Analyst	Office of Deputy Minister of Finance	government	Policy	Kabul
	Ahmed Jalali	Director General	Ministry of Finance	government	Policy	Kabul
	Mary Louise Vitelli	Senior Energy Advisor	Ministry of Mines	government	Policy	Kabul
	Niamatullah Ehsan Jawid	Minister	M/Transport & Civil	government	Policy	Kabul

			Aviation			
	Siddiqullah Noori		International Economic Division	government	Policy	Kabul
	Sudhir Kumar	Economic Counsellor	Embassy of India	government	Policy	Kabul
	Faiz Rasul	Commercial Counsellor	Embassy of Pakistan	government	Policy	Kabul
	Jawal Nasser Noorzaie	President and CEO	Afghan Telecom	SOE	Telecom	Kabul
	Gov. Gul Agha Sherzai	Governor	Nangarhar Province	government	Policy	Jalalabad
	Ghulam Gul Abdurahimzai	General Manager	Nangarhar Olive Factory	SOE	Olive Oil	Jalalabad
	Abdul Ahmad Loqmani	Vice President	Nangarhar Valley Dev. Authority	SOE	Agriculture	Jalalabad
	Muhd. Sharif	Director	Balkh Textile Enterprise	SOE	Textile	Mazar
	Omar Zakhilwal	President and CEO	AISA	government	Investment Promotion	Kabul
	Sharif Roshan Ahmadzai	Vice President	AISA	government	Investment Promotion	Kabul
	Abdul Salam Zahed	Licensing & Investor Support	AISA	government	Investment Promotion	Kabul
	Muhd. Sediq	Manager	AISA	government	Investment Promotion	Mazar
	Mark McCord	Chief of Party	CIPE	other	Business Support	Kabul
	Tim Bisbee	Deputy Chief of Party	CIPE	other	Business Support	Kabul
	Eng. Qasam	Director	Nangarhar Bus. Dev. Ctr	other	Business Support	Jalalabad
	Hartwig Breternitz	Project Manager	Export Promotion Agency	other	Business Support	Kabul
	Pierre Van Hoeylandt	Managing Director	Acap Partners	other	Finance	Kabul
	Sanzar Kakar	Investment Analysis	Acap Partners	other	Finance	Kabul
	Reazul Islam	Private Sector Development Specialist	IFC	other	Finance	Kabul
	Emmanuel de Dinechin	Advisor	Altai Consulting	other	Research	Kabul

	Jerry Turnbull	COP	Afghanistan Agriculture Development Program	other	Business Support	Kabul
	Joshua Charap	Resident Representative	IMF	other	Tariff Policy and Revenue	Kabul
	Ingrid Christensen	OIC	ILO	other	Labor	Kabul
	Tomas Achacoso	Chief Technical Advisor	ILO	other	Labor	Kabul
	Erlien Wubs	Technical Assistant	ILO	other	Labor	Kabul
	Mohammed Fazil	ADB	Economic Office	other	Standards	Kabul
	Sudir Kumar	Indian Embassy	Councillor	other	Investment Promotion	Kabul
	Don LaCraw	Consultant	Ministry of Finance	other	Trade and FDI	Kabul
	Leon Tomesen	TACP	MOC	other	PSD	Kabul
	Steven Coby	Regulatory Advisor	Ministry of Finance	other	Trade Regulations	Kabul
	Govind Venuprasad	Project Manager	UNDP	other	Trade Cooperation	Kabul
	Phillpe Cabanius	Trade and Transportation Analyst	ADB/MOC	other	Trade and Transit	Kabul
	Javed Hamid Zada	Transit Trade	OTF	other	Trade and Transit	Kabul
	Hartwig Breternitz	Consultant	IPPM	other		Kabul
	Yousef Ghatory	Project Officer (Transit Project)	OTF	other	Transport	Kabul
	Yahya Akalaqi	Project Officer (Transit Project)	OTF	other	Transport	Kabul
	Dr. Eamal Arman	PSD Officer	USAID-ALP-E	other	Devel. Support	Jalalabad
	J.D. Zach Lea	COP	Roots of Peace	other	Fruits and nuts	Kabul
	Jared Abraham	Geophysicist	USGS	Government	Geological survey	Kabul
	Chuck Lindsey	Geophysicist	USGS	government	Geological survey	Kabul

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Appendix 14

ROZ Study Scope of Work

A.1 BACKGROUND

Introduction:

President Bush publicly announced in Islamabad that the United States would seek legislation to create Reconstruction Opportunity Zones (ROZs) in vital areas of Pakistan and Afghanistan. Goods produced within the ROZs could enter the U.S. duty-free if imported directly. U.S. Government Agencies are sponsoring a study to help inform decisions on the possible scope for the ROZs with the view of implementing the program through legislation to be introduced in 2007.

Although there will certainly be differences, the Qualifying Industrialized Zone (QIZ) program for Israel, Egypt and Jordan presents an example of how ROZs might function in developing and further promoting regional economic integration.

Strategic Objectives of the ROZs:

ROZs are proposed to serve as an important element in the USG's counter-terrorism and regional economic integration strategies. They are designed to:

- Bring much-needed investment, employment and economically viable livelihoods to a region where populations are tempted to turn to narcotics trafficking and terrorism;
- Provide an incentive for the Pakistani and Afghan governments and private sectors to work cooperatively on economic projects; and
- Promote regional stability, security and economic growth.

A.2 TITLE

Assessment of Possible Locations and Products for Reconstruction Opportunity Zones (ROZs)

A.3 OBJECTIVE

Objectives of the Study:

The study, to be conducted by a "Study Team," should identify possible locations and product coverage for ROZs as outlined below.

(1) Potential Locations

With respect to possible locations for ROZs, the study should identify and prioritize locations within the territories described in (a) that to the greatest extent meet the economic criteria set out in (b). If locations within the territories are not found to be commercially feasible, locations near the territories should be considered.

(a) Territories

- For **Pakistan**, areas of the Federally Administered Tribal Areas, Azad Jammu Kashmir, Balochistan, and North West Frontier Province - including Peshawar.
- For **Afghanistan**, the entire territory within its national boundaries, including new and proposed industrial parks.

(b) Economic Criteria

Within the above mentioned areas, the assessment should seek to identify locations that are most feasible for commercial development, and particularly those locations that have the following characteristics:

- Existing or future planned infrastructure
- Access to transportation
- Power
- Water
- Land title
- Access to finance (letter of credit and trade finance)
- Existing business and production capacity, including, but not necessarily limited to, those products where either or both countries are currently competitive and represent export potential to the U.S. market;
- Availability of natural resources and other general production inputs locally or regionally
- Labor - capabilities of work force to manufacture/process various products
- Security

(2) Potential Product Coverage

(a) Duty Free Products

The study should seek to identify all processed or manufactured products (whether or not currently receiving duty-free treatment on an MFN basis) for which duty-free access to the United States would provide the greatest economic benefits to Afghanistan and Pakistan. The results of the study would be used as a basis for further interagency consideration and consultations with Congress and private sector stakeholders on benefits that actually could be provided through ROZs. In particular, the study should

identify for Afghanistan, separately for Pakistan, and jointly, products that are currently subject to U.S. MFN duties and meet one or more of the following criteria:

- Are existing exports to the world
- Currently use or could use inputs found or produced in Afghanistan, Pakistan or both, and
- Are competitive and represent strong export potential to the U.S. market

To assist in this analysis, the Department of Commerce will provide the following:

- Raw data for the 2002-04 period at the HS 6-digit level including:
 - o World imports from Pakistan;
 - o World imports from Afghanistan;
 - o U.S. imports from Pakistan;
 - o U.S. imports from Afghanistan.
- 2006 U.S. MFN tariff rates at the HTS 8-digit level
- Two USHTS 8-digit level product lists:
 - o Non- or low-sensitive tariff lines currently facing MFN duties where Pakistan and/or Afghanistan are competitive and represent export opportunities into the U.S. market (to be drawn from the 75 HS 6-digit textile- and non-textile products listed in Annexes I and II of Commerce's product analysis summary circulated to the inter-agency working group on April 3rd), and
 - o Tariff lines currently GSP-eligible for Pakistan and Afghanistan where either or both countries are competitive and represent export opportunities into the U.S. market
- Summary of methodology utilized by the Department of Commerce when conducting its Pakistan/Afghanistan ROZ product coverage analysis.

In addition, the Office of the U.S. Trade Representative will provide the product analysis on imports from Afghanistan and Pakistan imported duty-free under the GSP program.

(b) Rules of Origin

Agencies will need to develop and agree on a rule of origin for products produced in ROZs after further evaluating and refining the comprehensive list of products identified in the analysis described at C(2)(a). However, based on the QIZ model, the Study

Team should assume that to be eligible for duty-free entry into the United States from an ROZ, an imported article must be the growth, product, or manufacture of Afghanistan or Pakistan and that the sum of the cost or value of materials produced in either or both countries, plus the direct costs of processing in either or both countries, must not be less than 35 percent of the appraised value of the article at the time of entry into the United States. Materials imported into Afghanistan or Pakistan from third countries may be counted toward the 35 percent value-added requirement provided they are "substantially transformed" into new and different constituent materials in Afghanistan or Pakistan, which are then used to produce the eligible article.

In keeping with the objective of fostering Afghanistan-Pakistan cooperation, the study team should place special emphasis on and ensure inclusion in the study of products that could be produced jointly by parties in Afghanistan and Pakistan (i.e., through cumulation to meet the overall 35% value-added requirement).

A.4 STATEMENT OF WORK

Assessment of Possible Locations and Products For Reconstruction Opportunity Zones

Approach

1. The Assessment of Possible Locations and Products for Afghan-Pak ROZs will consist of twelve parts or phases. The first phase would provide for gathering data and other factual information from relevant sources in Washington, D.C., including the Inter-Agency Working Group (USAID, State, NSC, Commerce, USTR and Treasury), World Bank, IMF, and Institute for International Economics. This stage would include reviews of relevant studies, including Pakistan and Afghanistan economic reports, assessments of the experience with QIZs in Jordan and Egypt, and the legal requirements for ensuring that the overall product coverage in the ROZs will not result in the loss of U.S. jobs or contribute to violations of internationally recognized workers' rights per USAID ADS 225- - Program Principles for Trade and Investment Activities and the "Impact on U.S. Jobs" and "Workers' Rights" (ADS 225). In particular, the ROZ must be structured such that (a) the immediate effect of the ROZ would not be a loss of U.S. jobs to Pakistan and/or Afghanistan (i.e., there is no reasonable likelihood that the relocation of U.S. jobs could take place as a result of the ROZ) and (b) the ROZ would not contribute to the violation of internationally-recognized workers' rights as defined in 19 U.S.C. 2467(4). The Study Team will analyze the data and information obtained above to identify an initial list of promising locations for ROZs and products of Afghanistan and Pakistan that appear to meet the criteria set out in C(2)(a) and

taking into account C(2)(b). In this phase, the study team will also ensure consideration is given to promising locations and products for cross-border cooperation and value added contributions.

2. The second phase would begin in Islamabad, Pakistan, where the three-member Study Team accompanied by the USAID/Cognizant Technical Officer (CTO) (or designee) participates in orientation briefings with the Embassy and USAID. The U.S. Mission will provide recommendations and administrative/logistical support arranging other meetings and field visits in Pakistan. While the U.S. Mission is expected to provide some assistance arranging for security for field trips outside of Islamabad, the contractor should plan for the contingency that it will have to directly provide some or all of its own security during these trips. Contractor-provided local-hire staff, including business/economic advisors and translators and security personnel, will assist the Study Team. While in Islamabad, the Study Team may also meet with appropriate working level officials in government of Pakistan offices (e.g., Ministry of Commerce and Trade, Customs, etc.), the IMF, World Bank, donor projects working on private sector development, and private sector businesses and industrial groups such as chambers of industries and commerce to gather data and other factual information directly relevant to assessing the feasibility of possible locations and products.
3. The third phase would focus on gathering information on the products and production locations considered to be feasible and of interest to private sector producers. Factual information would be gathered from interviews with private sector producers and knowledgeable public and private sector leaders in Islamabad, Karachi, and/or other production centers. For Pakistan, areas of Azad Jammu Kashmir, Balochistan, and North West Frontier Province, including Peshawar, may be included in this study, but emphasis should be placed on the Federally Administered Tribal Areas (FATA). The FATA (and the Afghan regions across the border from the FATA) are the key areas from where Taliban and Al Qaeda operate and threaten regional stability. There is a critical need for development in these areas to counter Taliban and Al Qaeda (AQ) influence.
4. The Study Team would then evaluate potential sites for ROZs identified above through visits to at least four sites, including at least two areas that are widely regarded as highly feasible, and at least two areas that appear to have high potential for job creation for the poor but considerable logistics and/or security problems. The Team should strive to include one site from the FATA, one from Balochistan, and one from the earthquake region if feasible.
5. The Study Team would debrief the USG Mission on the preliminary findings of the Pakistan portion of the study. The Study Team would also prepare a preliminary draft chapter that should contain an assessment of the most promising products and sectors - identifying those, in particular, for which there appears to be existing business interest in exporting directly to the United

States, exporting to Afghanistan for further processing and then export to the United States, and/or importing from Afghanistan to be further processed and exported to the United States. The chapter will assess the feasibility of the various potential ROZ locations on the basis of the criteria set out in C(1). The overall chapter will also include an initial assessment analyzing whether or not the overall product coverage in the ROZs would lead to a loss of U.S. jobs or contribute to violations of internationally recognized workers' rights per ADS 225.

6. The Afghanistan portion of the study would begin with the Study Team, accompanied by the USAID/CTO or designee, participating in briefings with the Embassy and USAID. The U.S. Mission will provide recommendations and administrative/logistical support arranging other meetings and field visits in Afghanistan. The U.S. Mission is expected to provide for all security planning and expenses for the Study Team, including secure vehicles and security personnel. However, the contractor should plan for the contingency that it will have to directly provide some or all of its own security. Contractor-provided local-hire staff, including business/economic advisors and translators and security personnel, will assist the Study Team. While in Kabul, the Study Team may also meet with appropriate working level officials within the government of Afghanistan offices, e.g., Ministry of Commerce and Trade, Customs, etc., with the IMF, World Bank, donor projects working on private sector development, and private sector industrial groups such as chambers of industries and commerce to gather data and other factual information directly relevant to assessing the feasibility of possible locations and products.
7. The seventh phase would focus on gathering information on the products and production locations considered to be feasible and of interest to private sector producers. Factual information would be gathered from interviews with private sector producers and knowledgeable public and private sector leaders. The Study Team would evaluate potential sites for ROZs identified above through visits to at least four sites, including at least two areas that are widely regarded as highly feasible, and at least two in areas that appear to have high potential for job creation for the poor but considerable logistics and/or security problems.
8. The Study Team would debrief the USG Mission on the preliminary findings of the Afghan portion of the study. The Study Team will also prepare a draft chapter that should contain an assessment of the most promising products and sectors - identifying, in particular, those for which there appears to be existing business interest in exporting directly to the United States, exporting to Pakistan for further processing and then export to the United States, and/or importing from Pakistan for further processing and export to the United States. The chapter should assess the feasibility of the various potential ROZ locations on the basis of the criteria set out in C(1). The chapter should also include an initial assessment analyzing whether or not the ROZs would

- lead to a loss of U.S. jobs or contribute to violations of internationally recognized workers' rights per ADS 225
9. Returning to Washington, the Study Team would prepare a consolidated draft report that includes revised chapters on Pakistan and Afghanistan that list and prioritize promising locations and products for both Pakistan and Afghanistan and an integrated overview chapter. The report will present findings on the feasibility of exporting different products from various ROZ locations. The report would also include a comprehensive assessment analyzing product coverage in the ROZs that would be used by USG staff to make a determination whether or not the ROZs would result in the loss of U.S. jobs or contribute to violations of internationally recognized workers' rights per ADS 225. The report should include an executive summary not exceeding ten pages. The Draft Report should be presented for review and comment by the USAID CTO or designee.
 10. The Draft Final Report, incorporating revisions suggested by the USAID CTO, would then be presented to the Inter-Agency Working Group, USG Missions in Pakistan and Afghanistan, and other relevant agencies as determined by the Inter-Agency Working Group.
 11. Two weeks would be provided for review and comments by the entities noted in the preceding clause and their incorporation into the Final Report.
 12. The consultants would be available for further briefings on the Final Report as deemed appropriate by the Inter-Agency Working Group, including preparation of requested briefing materials.

Deliverables and Time Schedule

1. Complete Washington briefings, review of relevant studies, conduct the analysis described at D(1) and present a work plan acceptable to the USAID/CTO or designee, and leave for Islamabad by end of first week.
2. The Study Team, accompanied by the USAID/CTO or designee, would complete Islamabad briefings, and prepare a revised work plan for Pakistan portion of the study that is acceptable to the CTO by the end of the second week.
3. Complete interviews with producers and working level officials described in D(3) in Islamabad, Karachi, and and/or other production centers by end of the third week.
4. Complete visits to at least four ROZ sites by end of fourth week.
5. Present debriefings for the U.S. Mission and prepare preliminary draft Pakistan chapter by end of fifth week.
6. The Study Team, accompanied by the USAID/CTO or designee, complete Kabul briefings and prepare a revised work plan for Afghanistan portion of the study that is acceptable to the USAID/CTO by the end of the sixth week.
7. Complete interviews with producers and working level officials described at D(6 and 7) in Kabul and at other areas and visit at least four ROZ sites by end of seventh week.

8. Provide debriefings for U.S. Mission and prepare a preliminary draft Afghanistan chapter by the end of the eighth week.
9. Return to Washington and prepare a draft final report, including revised chapters on Pakistan and Afghanistan that contain revised lists of promising locations and products for Pakistan and Afghanistan and an overall assessment of the findings, for CTO review and comment by the end of the ninth week.
10. Incorporate CTO review and comments. Present the Draft Report to the Inter-Agency Working Group, U.S. Missions in Pakistan and Afghanistan, and other relevant agencies as determined appropriate by the Inter-Agency Group by the end of the tenth week.
11. Review and comments provided on the above presentation(s) would be incorporated into the Final Report by the end of the twelfth week.
12. The consultants would remain available for further revisions and briefings through the fourteenth week.

Level of Effort (LOE) and Personnel Qualifications

(1) Key Personnel: Staffing the following three key senior personnel is restricted to expatriates. Due to the sensitive and proprietary nature of the study and policy decisions that may be made based upon the study, the analyses and conclusions of the study are intended for the internal use of the U.S. Government only and must not be released to others, including the press. This includes the SOW, draft reports, final report, background analyses and any briefing materials. To ensure this, staffing of the Key Personnel positions is restricted to expatriates. Moreover, the contractor should ensure that all members of the Study Team agree to maintain the confidentiality of all non-public information involved in and produced by the study.

Industrial Economics Advisor: Nihal Pitigala

Senior Industrial Management Advisor: Tim Canedo or TBD

Senior Industrial Logistics Advisor/COP: Greg Polk

(2) Local-Hire Staff: Two local-hire Pakistani Private Sector or Economic Advisors/Translators will be required to work with the expatriate consultants while in Islamabad and other parts of Pakistan. The advisors will have at least a master's degree in economics or business, excellent translation skills, and five or more years relevant professional experience, including with the government, private sector, or research institutions. These local-hire advisors/translators will have an LOE of up to 24 days each.

While the U.S. Mission in Islamabad is expected to provide some assistance arranging for security for field trips outside of Islamabad, the contractor should plan for the contingency that it will have to directly provide some or all of its own security during these

trips. Local-hire security personnel may be required for the two weeks the advisors are on these field trips outside of Islamabad. If USDH staff accompany the Study Team on some or all the field trips, their security will be provided by the Mission. The Contractor should demonstrate that it has a realistic understanding of the security situation in Pakistan.

Two local-hire Afghani Private Sector or Economic Advisors/Translators will be required to work with the three expatriate consultants and the USAID/CTO while in Kabul and other parts of Afghanistan. The advisors will have at least a master's degree in economics or business, excellent translation skills, and five or more years relevant professional experience, including with the government, private sector, or research institutions. These local-hire advisors/translators will have an LOE of up to 18 days each.

The U.S. Mission is expected to provide for all security planning and expenses for the Study Team, including secure vehicles and security personnel. However, the contractor will need to make its own arrangements for lodging. The contractor should also plan for the contingency that it will have to directly provide some or all of its own security. Local-hire security personnel may be required for the week the advisors are on field trips outside of Kabul. USDH staff may accompany the Study Team on some or all the field trips and their security will be provided by the U.S. Mission. The Contractor should demonstrate that it has a realistic understanding of the security threat situation in Afghanistan.